



**TEKONSHA COMMUNITY SCHOOLS
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Tekonsha Community Schools
Tekonsha, 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 Tekonsha Community Schools (the "School District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules of proportionate share of net pension and OPEB liabilities and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required

by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, MI
October 19, 2023

Management's Discussion and Analysis

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

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

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of the School District exceeded its assets and deferred outflows at the close of this fiscal year by \$(911,842) (shown as a deficit *net position*). The School District had a deficit unrestricted net position of \$(3,606,867).
- Revenues of \$4,183,919 exceeded expenses of \$3,192,923 leading to an increase in net position of \$990,996 during the year.
- During the year, the School District's fund balances decreased by \$(303,512), for an ending fund balance of \$753,082 across all funds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$389,459, or 9.9% of the general fund's total expenditures and transfers out. Fund balance of the general fund *decreased* by \$(148,535) during the year.

Overview of the Financial Statements

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

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

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

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

Government-wide Financial Statements

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

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

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

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

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

Financial Analysis of the School District as a Whole

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

Tekonsha Community Schools' Net Position

ASSETS	2023	2022
<i>Current Assets</i>		
Cash and investments	\$ 488,763	\$ 803,683
Due from other governments	647,539	983,696
Inventories	7,436	10,858
<i>Total Current Assets</i>	1,143,738	1,798,237
<i>Noncurrent Assets</i>		
Capital assets, net	3,994,163	3,170,109
<i>Total Assets</i>	5,137,901	4,968,346
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	1,376,653	634,388
OPEB related	341,249	270,931
<i>Total Deferred Outflows of Resources</i>	1,717,902	905,319
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	85,535	451,084
Accrued payroll liabilities	215,557	261,886
State aid anticipation notes	21,784	21,450
Unearned revenue	67,780	7,223
Current portion of long-term debt	75,422	69,944
Accrued interest	10,465	9,826
<i>Total Current Liabilities</i>	476,543	821,413
<i>Noncurrent Liabilities</i>		
Noncurrent portion of long-term debt	1,587,339	1,662,760
Net pension liability	4,681,165	3,041,443
Net OPEB liability	252,227	196,255
<i>Total Liabilities</i>	6,997,274	5,721,871
DEFERRED INFLOWS OF RESOURCES		
Pension related	171,686	1,268,066
OPEB related	598,685	786,566
<i>Total Deferred Inflows of Resources</i>	770,371	2,054,632
NET POSITION		
Net Investment in Capital Assets	2,331,402	1,437,405
Restricted	363,623	380,766
Unrestricted	(3,606,867)	(3,721,009)
<i>Total Net Position</i>	\$ (911,842)	\$ (1,902,838)

Cash and investments of the School District decreased by \$314,920 when compared to the previous year. This decrease is largely the result of the decrease in governmental fund balance.

Amounts due from other governments decreased by \$336,157 due in large part to the previous year having more amounts owed to the School District resulting from construction related expenses that were grant reimbursable.

Net capital assets increased by \$824,054 resulting from current year capital asset additions consisting largely of building improvements being in excess of current year depreciation expense.

Net pension liability and the related deferred inflows and deferred outflows of resources experienced quite significant swings during the year. Net pension liability increased by \$1,639,722, pension related deferred outflows increased by \$742,265 and pension related deferred inflows decreased by \$1,096,380. This is almost entirely the result of pension assets having a loss on investment of 4.18% during the year; 80% of these losses have been deferred to be recognized as expenses over the next four years; and the amortization of prior year deferred pension expenses combined with the reclassification of prior excess earnings caused the significant decrease in the pension deferred inflow amounts.

Net OPEB liability and the related deferred inflows and deferred outflows of resources also experienced significant fluctuations compared to the previous year. Net OPEB liability increased by \$55,972, OPEB related deferred outflows increased by \$70,318, and OPEB related deferred inflows decreased by \$187,881. This is almost entirely the result of OPEB assets having a loss on investment of 4.99% during the year; 80% of these losses have been deferred to be recognized as expenses over the next four years; and the amortization of prior year deferred OPEB expenses combined with the reclassification of prior excess earnings caused the significant decrease in the pension deferred inflow amounts.

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

Tekonsha Community Schools' Changes in Net Position

Revenues	2023	2022
Program Revenues		
Charges for services	\$ 78,744	\$ 65,729
Operating grants and contributions	1,262,630	1,582,372
Capital grants and contributions	737,063	-
<i>Total Program Revenues</i>	2,078,437	1,648,101
General Revenues		
Property taxes	664,507	600,483
Unrestricted State aid	1,433,420	1,480,668
Interest income	7,555	606
<i>Total General Revenues</i>	2,105,482	2,081,757
<i>Total Revenues</i>	4,183,919	3,729,858
Expenses		
Instruction	1,544,592	1,417,514
Support services	1,112,886	1,053,355
Food service	208,764	204,172
Student activities	31,143	25,913
Community services	209	-
Unallocated depreciation	233,390	183,221
Interest on long-term debt	61,939	60,896
<i>Total Expenses</i>	3,192,923	2,945,071
<i>Change in Net Position</i>	990,996	784,787
<i>Net Position at Beginning of Period</i>	<i>(1,902,838)</i>	<i>(2,687,625)</i>
<i>Net Position at End of Period</i>	\$ (911,842)	\$ (1,902,838)

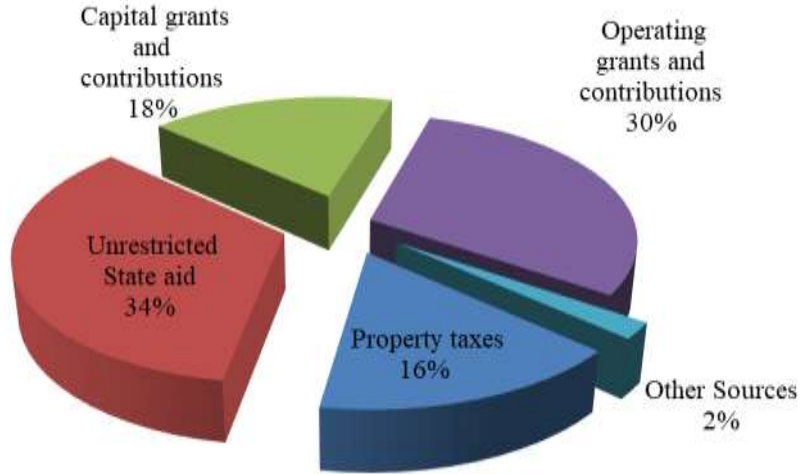
Year over year changes in operating grants and contributions, a reduction of \$319,742 compared to previous year, are largely related to the increase in capital grants of \$737,063; less ESSER operating grants were available but more ESSER III grant funding for capital projects was available.

Increases in instruction and support services of \$127,078 and \$59,531 are driven by increased pension and OPEB related expenses.

The unallocated depreciation increase of \$50,169 is due entirely to the significant capital asset additions put into service during the current year.

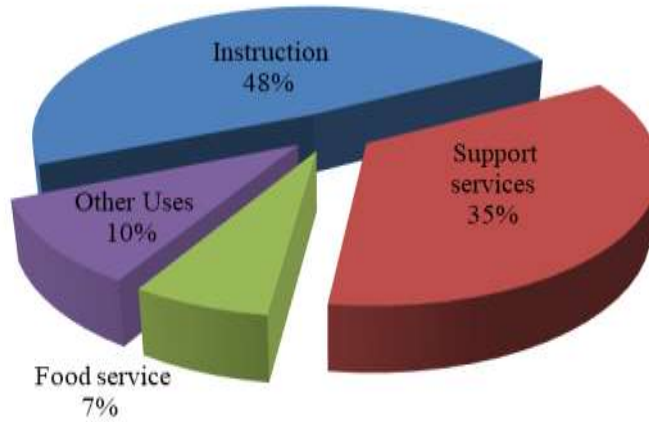
The following chart summarizes the major revenue sources for the governmental activities of the School District for the most recent fiscal year-end:

Governmental Activities Revenues



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

Governmental Activities Expenses



Fund Financial Statements

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

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

Governmental funds: Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be

converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Financial Analysis of the School District's Funds

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

The ***general fund*** is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,735,957. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 46.0% of total general fund expenditures and transfers out.

The fund balance of the School District's general fund increased by \$637,726 for a total fund balance of \$1,893,681. Significant increases for revenues were within state and federal sources as a result of increased unrestricted state aid and ESSER funding. Significant increases for expenditures were a result of increased basic needs and instructional staff expenditures.

The ***sinking fund*** is a major fund of the School District that accounts for tax dollars that are restricted to being used for capital improvements only. At the end of the current fiscal year, the restricted fund balance of the sinking fund was \$93,079. The fund experienced a decrease in fund balance of \$121,093 during the year as building improvements costs of \$202,289 exceeded revenues.

General Fund Budgetary Highlights

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

Original budget compared to final budget. The original budget was amended during the year as actual results needed adjusting from the original budgeted estimates. Overall, total budgeted revenues and total budgeted expenditures did not change by significant amounts during the year.

Final budget compared to actual results. The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2023.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2023, the School District had \$3,994,163 invested in capital assets. This was a net increase of \$824,054 from the prior year, comprising of capital asset additions of \$1,057,444 and depreciation expense of \$233,390. The following table represents the School Districts investment in capital assets:

Land	\$ 40,000
Buildings and improvements	7,041,529
Busses and other vehicles	303,290
Furniture and other equipment	1,234,224
<i>Subtotal</i>	<u>8,619,043</u>
Accumulated depreciation	<u>4,624,880</u>
<i>Net capital assets</i>	<u>\$ 3,994,163</u>

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

Long-term Debt

At year-end, the School District had total long-term obligations of \$1,662,761. The State allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District's boundaries. The School District is under this limit by a considerable amount as it has no debt outstanding.

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

Economic Factors and Next Year's Budget

The School District estimates that next year's revenues will not significantly change compared to the prior year. The School District continues to review all budget line items for opportunities to reduce expenditures when possible while providing an excellent education to the district it serves. The budget will be monitored during the year to identify any necessary amendments.

Tekonsha continues to prepare for the ever-changing dynamic for the 2023-2024 school year.

REQUESTS FOR INFORMATION

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

Tekonsha Community Schools
245 South Elk Street
Tekonsha, MI 49092
Ph | 517.767.4121

Basic Financial Statements

Tekonsha Community Schools
Statement of Net Position
June 30, 2023

ASSETS

Current Assets

Cash and investments	\$	488,763
Due from other governments		647,539
Inventories		7,436
Total Current Assets		1,143,738

Noncurrent Assets

Capital assets not being depreciated		40,000
Capital assets being depreciated, net		3,954,163
Total Assets		5,137,901

DEFERRED OUTFLOWS OF RESOURCES

Pension related		1,376,653
OPEB related		341,249
Total Deferred Outflows of Resources		1,717,902

LIABILITIES

Current Liabilities

Accounts payable		85,535
Accrued payroll liabilities		215,557
State aid anticipation notes		21,784
Unearned revenue		67,780
Current portion of long-term debt		75,422
Accrued interest		10,465
Total Current Liabilities		476,543

Noncurrent Liabilities

Noncurrent portion of long-term debt		1,587,339
Net pension liability		4,681,165
Net OPEB liability		252,227
Total Liabilities		6,997,274

DEFERRED INFLOWS OF RESOURCES

Pension related		171,686
OPEB related		598,685
Total Deferred Inflows of Resources		770,371

NET POSITION

Net investment in capital assets		2,331,402
<i>Restricted for:</i>		
Capital projects		198,091
Student activities		49,203
Athletic activities		2,660
Debt service		41,175
Food service		72,494
<i>Unrestricted</i>		(3,606,867)
Total Net Position		\$ (911,842)

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 1,544,592	\$ --	\$ 562,647	\$ --	\$ (981,945)
Support services	1,112,886	20,696	505,707	737,063	150,580
Food service	208,764	8,541	193,811	--	(6,412)
Student activities	31,143	49,507	465	--	18,829
Community services	209	--	--	--	(209)
Unallocated depreciation	233,390	--	--	--	(233,390)
Interest on long-term debt	61,939	--	--	--	(61,939)
Total	\$ 3,192,923	\$ 78,744	\$ 1,262,630	\$ 737,063	(1,114,486)
General Purpose Revenues:					
					477,862
					186,645
					1,433,420
					7,555
					<u>2,105,482</u>
					990,996
					(1,902,838)
					<u>\$ (911,842)</u>

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

**Tekonsha Community Schools
Balance Sheet
Governmental Funds
June 30, 2023**

	<u>Capital Projects</u>		Other Governmental Funds	Total Governmental Funds
	General	Sinking Fund		
ASSETS				
Cash and investments	\$ 138,202	\$ 133,978	\$ 216,583	\$ 488,763
Due from other governments	621,154	545	25,840	647,539
Inventories	--	--	7,436	7,436
Due from other funds	11,679	6,987	30,395	49,061
Total Assets	<u>\$ 771,035</u>	<u>\$ 141,510</u>	<u>\$ 280,254</u>	<u>\$ 1,192,799</u>
LIABILITIES				
Accounts payable	\$ 36,413	\$ 47,931	\$ 1,191	\$ 85,535
Accrued payroll liabilities	215,557	--	--	215,557
State aid anticipation notes	21,784	--	--	21,784
Unearned revenue	67,780	--	--	67,780
Due to other funds	37,382	500	11,179	49,061
Total Liabilities	<u>378,916</u>	<u>48,431</u>	<u>12,370</u>	<u>439,717</u>
FUND BALANCE				
Nonspendable	--	--	7,436	7,436
Restricted	2,660	93,079	260,448	356,187
Unassigned	389,459	--	--	389,459
Total Fund Balance	<u>392,119</u>	<u>93,079</u>	<u>267,884</u>	<u>753,082</u>
Total Liabilities and Fund Balance	<u>\$ 771,035</u>	<u>\$ 141,510</u>	<u>\$ 280,254</u>	<u>\$ 1,192,799</u>

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

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

Total Fund Balance - Governmental Funds	\$	753,082
General government capital assets of 8,619,043, net of accumulated depreciation of \$4,624,880, are not financial resources and, accordingly, are not reported in the funds.		3,994,163
Long-term liabilities, including lease obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(1,672,587)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		(509,663)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		(3,476,198)
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.		(639)
Total Net Position - Governmental Activities	\$	<u>(911,842)</u>

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

	<u>Capital Projects</u>		Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Sinking Fund</u>		
Revenues				
Local sources	\$ 533,237	\$ 81,596	\$ 148,264	\$ 763,097
State sources	2,065,993	--	10,768	2,076,761
Federal sources	1,031,145	--	184,748	1,215,893
Interdistrict and other	128,168	--	--	128,168
Total Revenues	<u>3,758,543</u>	<u>81,596</u>	<u>343,780</u>	<u>4,183,919</u>
Expenditures				
Instruction	1,845,819	--	--	1,845,819
Support services	1,212,809	--	--	1,212,809
Food service	--	--	208,764	208,764
Student activities	--	--	31,143	31,143
Community services	209	--	--	209
Building improvement services	842,470	202,689	12,285	1,057,444
Debt service - principal	14,943	--	55,000	69,943
Debt service - interest	2,007	--	59,293	61,300
Total Expenditures	<u>3,918,257</u>	<u>202,689</u>	<u>366,485</u>	<u>4,487,431</u>
Excess of Revenues Over (Under) Expenditures	<u>(159,714)</u>	<u>(121,093)</u>	<u>(22,705)</u>	<u>(303,512)</u>
Other Financing Sources (Uses)				
Transfers in	11,179	--	--	11,179
Transfers out	--	--	(11,179)	(11,179)
Net Other Financing Sources (Uses)	<u>11,179</u>	<u>--</u>	<u>(11,179)</u>	<u>--</u>
Net Change in Fund Balance	<u>(148,535)</u>	<u>(121,093)</u>	<u>(33,884)</u>	<u>(303,512)</u>
<i>Fund Balance at Beginning of Period</i>	540,654	214,172	301,768	1,056,594
Fund Balance at End of Period	<u>\$ 392,119</u>	<u>\$ 93,079</u>	<u>\$ 267,884</u>	<u>\$ 753,082</u>

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

Tekonsha Community Schools
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$	(303,512)
--	----	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the capital outlay expenditures of \$1,057,444 which exceed current year depreciation expense of \$233,390.		824,054
--	--	---------

The statement of activities reports the changes in net OPEB liability and OPEB related deferrals as OPEB expense. However, the expenditures recorded on the governmental funds equals actual OPEB contributions.		202,227
--	--	---------

The statement of activities reports the changes in net pension liability and pension related deferrals as pension expense. However, the expenditures recorded on the governmental funds equals actual pension contributions.		198,923
--	--	---------

The issuance of long-term debt (e.g., bonds or leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.		69,943
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In the statement of activities, interest and bond discounts and premiums are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest.		(639)
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Changes in Net Position - Governmental Activities	\$	<u>990,996</u>
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Notes to the Financial Statements

Tekonsha Community Schools

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of Tekonsha Community Schools (the “School District” or “government”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District’s accounting policies are described below.

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. Based on the application of the criteria, the District does not contain any component units.

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds also use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes

Tekonsha Community Schools

Notes to the Financial Statements

are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

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

The School District reports the following major funds:

The *general fund* is the general operating fund of the School District. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *sinking fund (capital projects fund)* is used to account for taxes and other revenue and the disbursement of monies specifically for acquiring new school sites, buildings, equipment, and for remodeling. The School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Additionally, the School District reports the following fund types:

Capital project fund accounts for the accumulation and disbursement of resources for the construction of governmental fund capital projects. For the School District's 2018 capital projects fund, the School District has complied with the applicable provision of Section 1351a of the Revised School Code.

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

Debt service funds are used to record tax, interest, and other revenue for payment of principal and other expenditures thereof on a particular bond issue. The School District maintains one debt fund, the *debt service fund*.

Tekonsha Community Schools

Notes to the Financial Statements

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end. The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. The budget was amended during the year with supplemental appropriations, the last one approved prior to the end of the year.

State Revenue

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

The State portion of the foundation is provided primarily by a State education property tax millage of six mills on principal residence exemption (PRE) property and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by non-PRE property taxes which may be levied at a rate of up to 18 mills. The local portion also includes 6 mills on

Tekonsha Community Schools

Notes to the Financial Statements

commercial personal property. The State revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the State to administer categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Property Taxes

Property taxes are assessed as of December 31 and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied on July 1 and December 1 by local units whose boundaries include property within the District and are due on September 14 and February 14. Delinquent real taxes are advanced to the District by the Revolving Tax Fund the County.

Tax abatements provided to property tax payers, if any, were not significant, and thus, no disclosure was deemed required in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

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

Cash and Cash Equivalents

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

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

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.

Tekonsha Community Schools

Notes to the Financial Statements

- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Investments

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

Receivables and Payables

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

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

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

Inventories

Inventories are valued at cost (purchase price) on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 for technology items, and \$5,000 or greater for all others, and an estimated useful life in

Tekonsha Community Schools

Notes to the Financial Statements

excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Right to use assets, if any, are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Fixed assets are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and improvements	20 - 50
Buses and other vehicles	10
Furniture and other equipment	5 - 20

Pension

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

Postemployment Benefits Other Than Pensions

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

Deferred Outflows of Resources

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

Tekonsha Community Schools

Notes to the Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future (period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Salaries Payable and Accrued Employee Benefits

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

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

Unearned Revenues

Governmental funds report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue include advance grant payments received prior to meeting all eligibility requirements in the amount of \$67,780.

Long-term Obligations

In the government-wide financial statements, long-term debt, intangible right-to-use leases, and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond and lease issuance costs are recorded as a period expense. 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing

Tekonsha Community Schools

Notes to the Financial Statements

sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Net Position Flow Assumption

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

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Tekonsha Community Schools

Notes to the Financial Statements

Amounts in the *assigned fund balance* classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

Use of Estimates

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

Note 2 - Stewardship, Compliance, and Accountability

Excess of expenditures over appropriations in budgeted funds – The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2023.

Government-wide Deficits

The School District had an unrestricted net position deficit and a total net position deficit for government-wide activities in the amount of \$(3,606,867) and \$(9,11,842), respectively, as of June 30, 2023. There are no governmental funds with a deficit.

Tekonsha Community Schools

Notes to the Financial Statements

Note 3 - Cash and Investments

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories.

Deposits and investments	
Checking and savings accounts	\$ 404,491
Pooled investments (MILAF)	<u>84,272</u>
<i>Total deposits and investments</i>	<u>\$ 488,763</u>

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the School District's deposits or investments had fixed maturities at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are summarized as follows:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Michigan Liquid Asset Fund	n/a	\$ 84,272	S&P - AAAM

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. State law does not require, and the School District does not have a policy for deposit custodial credit risk. As of year-end, \$178,764 of the School District's bank balance of \$428,764 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the School District does not have a policy for investment custodial credit risk. Of the above investments, the School District's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

Tekonsha Community Schools

Notes to the Financial Statements

Fair Value Measurement. The School District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School District's investment with the Michigan Liquid Asset Fund of \$84,272 is reported at a Level 2 fair value measurement level.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

Tekonsha Community Schools

Notes to the Financial Statements

	Beginning Balance	Additions	Transfer	Ending Balance
Capital assets not being depreciated				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Capital assets being depreciated				
Buildings and improvements	5,996,370	1,045,159	-	7,041,529
Buses and other vehicles	303,290	-	-	303,290
Furniture and other equipment	1,221,939	12,285	-	1,234,224
<i>Subtotal</i>	7,521,599	1,057,444	-	8,579,043
Accumulated depreciation				
Buildings and improvements	3,094,603	205,383	-	3,299,986
Buses and other vehicles	204,315	14,406	-	218,721
Furniture and other equipment	1,092,572	13,601	-	1,106,173
<i>Subtotal</i>	4,391,490	233,390	-	4,624,880
<i>Capital assets being depreciated, net</i>	3,130,109	824,054	-	3,954,163
Capital assets, net	\$ 3,170,109	\$ 824,054	\$ -	\$ 3,994,163

Depreciation expense for the fiscal year ended June 30, 2023 amounted to \$233,390. The School District determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund balances as of June 30, 2023 consisted of fund receivables and payables listed below:

Transfers In	Transfers Out	Amount
Food Service	General	\$ 11,179

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

The following schedule summarizes the operating transfers during the year:

Receivable Fund	Payable Fund	Amount
General	Sinking	\$ 500
General	Other Governmental Funds	11,179
Sinking	General	6,987
Other Governmental Funds	General	30,395

The \$11,179 interfund transfer was an eligible reimbursement from the food service fund to the general fund for indirect costs incurred by the general fund on behalf of the food service fund.

Tekonsha Community Schools

Notes to the Financial Statements

Note 6 - Debt Obligations

Long-term debt activity for the year ended June 30, 2023 was as follows:

	Balance at June 30, 2022	Reductions	Balance at June 30, 2023	Due Within One Year
2018 School Building and Site Bonds	\$ 1,670,000	\$ 55,000	\$ 1,615,000	\$ 60,000
2022 Lease Purchase Agreement	62,704	14,943	47,761	15,422
Totals	\$ 1,732,704	\$ 69,943	\$ 1,662,761	\$ 75,422

Bonds Payable

\$1,870,000 - Building and site bonds due in annual installments of \$40,000 to \$120,000 through 2042; plus interest at 3.50% to 3.60%

Annual debt service requirements to maturity for outstanding bonds payable are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 60,000	\$ 55,818	\$ 115,818
2025	60,000	53,718	113,718
2026	65,000	51,530	116,530
2027	65,000	49,255	114,255
2028	70,000	46,893	116,893
2029-2033	380,000	195,964	575,964
2034-2038	465,000	122,376	587,376
2039-2043	450,000	33,192	483,192
Totals	\$ 1,615,000	\$ 608,746	\$ 2,223,746

2022 Lease Purchase Agreement

\$62,704 - Capital lease purchase due in annual installments of \$16,950 through 2025; including interest at 3.20% A summary of the principal and interest amounts for the remaining leases is as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 15,422	\$ 1,528	\$ 16,950
2025	15,915	1,035	16,950
2026	16,424	526	16,950
Totals	\$ 47,761	\$ 3,089	\$ 50,850

Tekonsha Community Schools

Notes to the Financial Statements

During the year ended June 30, 2023, the School District paid off the short-term obligations from the previous year and assumed a similar State aid note payable during the current year: The following schedule summarizes the short-term debt and activity:

Short-term Obligations	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2022 State aid note payable	0.11%	July 2022	\$ 21,450	\$ -	\$ (21,450)	\$ -	\$ -
2023 State aid note payable	1.75%	July 2023	-	175,000	(153,216)	21,784	21,784
Total Short-term Obligations			\$ 21,450	\$ 175,000	\$ (174,666)	\$ 21,784	\$ 21,784

The District has approved the issuance of State Aid Anticipation Notes for the 2023-24 school year totaling \$175,000 under a set-aside arrangement due in seven increments of \$25,449, including interest at 1.75%, beginning in January, 2023 and ending July, 2023.

Note 7 - Pension Plan

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement

Tekonsha Community Schools

Notes to the Financial Statements

benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

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

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

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

<u>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</u>
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 were \$423,645 for the year ended Sept. 30, 2022.

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

At June 30, 2023, the School reported a liability of \$4,681,165 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At Sept. 30, 2022, the School’s proportion was .01244 percent, which was a decrease of .00041 percent from its proportion measured as of Sept. 30, 2021.

For the year ending June 30, 2023, the School recognized pension expense of \$506,675. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 46,828.00	\$ 10,467.00
Changes of assumptions	804,392	-
Net difference between projected and actual earnings on pension plan investments	10,977	
Changes in proportion and differences between employer contributions and proportionate share of contributions	793	161,219
Employer contributions subsequent to the measurement date	513,663	-
Total	\$ 1,376,653	\$ 171,686

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended September 30	Amount:
2023	\$ 182,456
2024	129,388
2025	121,597
2026	257,863

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

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Notes to the Financial Statements

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 Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.3922 for non-university employers.

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Notes to the Financial Statements

Recognition period for assets in years is 5.0000.

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

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a buildingblock method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of Sept. 30, 2022, are summarized in the following table:

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 pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
<i>Total</i>	100.0%	

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

Rate of Return

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

Discount Rate

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

Tekonsha Community Schools

Notes to the Financial Statements

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's proportionate share of the net pension liability to changes in the discount rate

The following presents the School'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's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease	Current Discount	1% Increase
5.0%	Rate - 6.0%	7.0%
\$6,177,398	\$4,681,165	\$3,448,201

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

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

Note 9 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office

Tekonsha Community Schools

Notes to the Financial Statements

Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

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

Benefits Provided

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

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

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

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Notes to the Financial Statements

Contributions

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

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

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

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

Required contributions to the OPEB plan from the School were \$90,710 for the year ended Sept. 30, 2022.

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

At June 30, 2023, the School reported a liability of \$252,227 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of Sept. 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At Sept. 30, 2022, the School's proportion was .0119 percent, which was a decrease of .00095 percent from its proportion measured as of Oct. 1, 2021.

For the year ending June 30, 2023, the School recognized OPEB expense of negative \$(117,006). At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Notes to the Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 494,015.00
Changes of assumptions	224,818	18,306
Net difference between projected and actual earnings on pension plan investments	19,713	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,872	86,364
Employer contributions subsequent to the measurement date	77,846	-
Total	\$ 341,249	\$ 598,685

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

Plan Year Ended September 30	Amount:
2023	\$ (112,104)
2024	(99,986)
2025	(94,366)
2026	(13,069)
2027	(13,686)
Thereafter	(2,071)

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.

Tekonsha Community Schools

Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

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

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

Tekonsha Community Schools

Notes to the Financial Statements

Recognition period for assets in years is 5.0000.

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

Long-term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal

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Notes to the Financial Statements

to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the School's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the employer's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.0%	Current Discount Rate 6.0%	1% Increase 7.0%
\$ 423,086	\$ 252,227	\$ 108,342

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
\$ 105,620	\$ 252,227	\$ 416,795

OPEB Plan Fiduciary Net Position

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

Note 9 - Risk Management

The School District is exposed to various risks of loss-related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and natural disasters. The School District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event

Tekonsha Community Schools

Notes to the Financial Statements

the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The School District has purchased commercial insurance for other risks of loss, including property and casualty, errors and omissions, fleet, and employee health and accident insurance.

Note 10 - Fund Balance

The School District reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Detailed information on fund balances of governmental funds is as follows:

	<u>Capital Projects</u>		Other Governmental Funds	Total
	<u>General</u>	<u>Sinking</u>		
Nonspendable:				
Inventories	\$ -	\$ -	\$ 7,436	\$ 7,436
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Student activities	-	-	49,203	49,203
Food service	-	90,931	65,058	155,989
<i>Total restricted</i>	-	90,931	114,261	205,192
Assigned for:				
Subsequent year budget	-	-	-	-
Bus purchase	-	-	-	-
Bus lease	-	-	-	-
5% revenue reserve	-	-	-	-
<i>Total assigned</i>	-	-	-	-
Unassigned	345,350	-	-	345,350
<i>Total Fund Balances</i>	\$ 345,350	\$ 90,931	\$ 121,697	\$ 557,978

Tekonsha Community Schools

Notes to the Financial Statements

Note 11 - Subsequent Events

Management has evaluated subsequent events through October 19, 2023, the date these financial statements were available to be issued, and is not aware of any events that could have a financial impact on the School District.

Required Supplementary Information

Tekonsha Community Schools
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Local sources	\$ 468,483	\$ 548,419	\$ 533,237	\$ (15,182)
State sources	2,082,421	2,112,955	2,065,993	(46,962)
Federal sources	1,950,316	1,719,122	1,031,145	(687,977)
Interdistrict and other	186,477	148,963	128,168	(20,795)
Total Revenues	<u>4,687,697</u>	<u>4,529,459</u>	<u>3,758,543</u>	<u>(770,916)</u>
Other Financing Sources				
Transfers in	--	--	11,179	11,179
Total Revenues and Other Financing Sources	<u>4,687,697</u>	<u>4,529,459</u>	<u>3,769,722</u>	<u>(759,737)</u>
Expenditures				
Instruction				
Basic programs	1,283,159	1,322,485	1,321,501	984
Added needs	550,241	609,859	524,318	85,541
Total instruction	<u>1,833,400</u>	<u>1,932,344</u>	<u>1,845,819</u>	<u>86,525</u>
Support services				
Pupil	218,759	241,286	69,181	172,105
Instructional staff	17,157	7,753	5,068	2,685
General administration	210,237	234,822	232,919	1,903
School administration	118,075	129,719	129,073	646
Business	78,850	100,656	99,127	1,529
Operation and maintenance	217,400	300,008	281,825	18,183
Pupil transportation	189,192	226,857	214,988	11,869
Central services	80,457	71,800	70,315	1,485
Athletic activities	100,010	110,520	110,313	207
Community services	--	5,822	209	5,613
Total support services	<u>1,230,137</u>	<u>1,429,243</u>	<u>1,213,018</u>	<u>216,225</u>
Building improvement services	1,596,794	1,261,106	842,470	418,636
Debt service - principal	14,943	14,943	14,943	--
Debt service - interest	2,007	2,007	2,007	--
Total Expenditures	<u>4,677,281</u>	<u>4,639,643</u>	<u>3,918,257</u>	<u>721,386</u>
Other Financing Uses				
Transfers out	8,500	2,999	--	2,999
Total Expenditures and Other Financing Uses	<u>4,685,781</u>	<u>4,642,642</u>	<u>3,918,257</u>	<u>724,385</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>1,916</u>	<u>(113,183)</u>	<u>(148,535)</u>	<u>(35,352)</u>
Net Change in Fund Balance	<u>1,916</u>	<u>(113,183)</u>	<u>(148,535)</u>	<u>(35,352)</u>
<i>Fund Balance at Beginning of Period</i>	540,654	540,654	540,654	--
Fund Balance at End of Period	<u>542,570</u>	<u>427,471</u>	<u>392,119</u>	<u>(35,352)</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Portion of Net Pension Liability (%)	0.01244%	0.01285%	0.01303%	0.01339%	0.01337%	0.01346%	0.01302%	0.01219%	0.01223%
School District's Proportionate Share of Net Pension Liability	\$ 4,681,165	\$ 3,041,443	\$ 4,477,314	\$ 4,437,209	\$ 4,019,369	\$ 3,489,279	\$ 3,247,747	\$ 2,978,603	\$ 4,477,314
School District's Covered Payroll	\$ 1,157,000	\$ 1,152,061	\$ 1,116,035	\$ 1,174,716	\$ 1,125,893	\$ 1,135,535	\$ 1,129,988	\$ 1,108,418	\$ 1,061,748
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	404.60%	264.00%	401.18%	377.73%	356.99%	307.28%	287.41%	268.73%	421.69%
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%

Tekonsha Community Schools
Schedule of School District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last Nine School District Fiscal Years (Amounts determined as of June 30 of each year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 423,645	\$ 423,316	\$ 383,279	\$ 356,933	\$ 350,593	\$ 340,220	\$ 311,913	\$ 294,937	\$ 220,438
Contributions in Relation to Statutorily Required Contributions	<u>423,645</u>	<u>423,316</u>	<u>383,279</u>	<u>356,933</u>	<u>350,593</u>	<u>340,220</u>	<u>311,913</u>	<u>294,937</u>	<u>220,438</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 1,228,695	\$ 1,169,454	\$ 1,127,445	\$ 1,158,555	\$ 1,131,770	\$ 1,137,920	\$ 1,122,082	\$ 1,108,418	\$ 1,022,930
Contributions as a Percentage of Covered Payroll	34.48%	36.20%	34.00%	30.81%	30.98%	29.90%	27.80%	26.61%	21.55%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.01190%	0.01285%	0.01263%	0.01345%	0.01322%	0.01349%
School District's Proportionate Share of Net OPEB Liability	\$ 252,227	\$ 196,255	\$ 676,428	\$ 965,527	\$ 1,051,099	\$ 1,195,422
School District's Covered Payroll	\$ 1,157,000	\$ 1,152,061	\$ 1,116,035	\$ 1,174,716	\$ 1,125,893	\$ 1,135,535
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	21.80%	17.04%	60.61%	82.19%	93.36%	105.27%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 90,710	\$ 94,003	\$ 93,721	\$ 89,184	\$ 87,668	\$ 81,503
Contributions in Relation to Statutorily Required Contributions	<u>90,710</u>	<u>94,003</u>	<u>93,721</u>	<u>89,184</u>	<u>87,668</u>	<u>81,503</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 1,228,695	\$ 1,169,454	\$ 1,127,445	\$ 1,158,555	\$ 1,131,770	\$ 1,137,920
Contributions as a Percentage of Covered Payroll	7.38%	8.04%	8.31%	7.70%	7.75%	7.16%

Combining and Individual Fund Statements and Schedules

**Tekonsha Community Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023**

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Student Activities</u>	<u>Debt Service</u>	<u>2018 Capital Projects</u>	
ASSETS					
Cash and investments	\$ 31,252	\$ 49,203	\$ 31,116	\$ 105,012	\$ 216,583
Due from other governments	25,460	--	380	--	25,840
Inventories	7,436	--	--	--	7,436
Due from other funds	20,716	--	9,679	--	30,395
<i>Total Assets</i>	<u>\$ 84,864</u>	<u>\$ 49,203</u>	<u>\$ 41,175</u>	<u>\$ 105,012</u>	<u>\$ 280,254</u>
LIABILITIES					
Accounts payable	\$ 1,191	\$ --	\$ --	\$ --	\$ 1,191
Due to other funds	11,179	--	--	--	11,179
<i>Total Liabilities</i>	<u>12,370</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>12,370</u>
FUND BALANCE					
Nonspendable	7,436	--	--	--	7,436
Restricted	65,058	49,203	41,175	105,012	260,448
Unassigned	--	--	--	--	--
<i>Total Fund Balance</i>	<u>72,494</u>	<u>49,203</u>	<u>41,175</u>	<u>105,012</u>	<u>267,884</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 84,864</u>	<u>\$ 49,203</u>	<u>\$ 41,175</u>	<u>\$ 105,012</u>	<u>\$ 280,254</u>

Tekonsha Community Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Student Activities</u>	<u>Debt Service</u>	<u>2018 Capital Projects</u>	
Revenues					
Local sources	\$ 8,595	\$ 33,409	\$ 105,960	\$ 300	\$ 148,264
State sources	8,435	--	2,333	--	10,768
Federal sources	184,748	--	--	--	184,748
Total Revenues	<u>201,778</u>	<u>33,409</u>	<u>108,293</u>	<u>300</u>	<u>343,780</u>
Expenditures					
Food service	208,764	--	--	--	208,764
Student activities	--	31,143	--	--	31,143
Building improvement services	--	--	--	12,285	12,285
Debt service - principal	--	--	55,000	--	55,000
Debt service - interest	--	--	59,293	--	59,293
Total Expenditures	<u>208,764</u>	<u>31,143</u>	<u>114,293</u>	<u>12,285</u>	<u>366,485</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,986)</u>	<u>2,266</u>	<u>(6,000)</u>	<u>(11,985)</u>	<u>(22,705)</u>
Other Financing Sources (Uses)					
Transfers out	(11,179)	--	--	--	(11,179)
Net Other Financing Sources (Uses)	<u>(11,179)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(11,179)</u>
Net Change in Fund Balance	(18,165)	2,266	(6,000)	(11,985)	(33,884)
<i>Fund Balance at Beginning of Period</i>	90,659	46,937	47,175	116,997	301,768
Fund Balance at End of Period	\$ 72,494	\$ 49,203	\$ 41,175	\$ 105,012	\$ 267,884



**TEKONSHA COMMUNITY SCHOOLS
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2023**

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

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Assistance Listing Number</i>	<i>Program or Award Amount</i>	<i>Prior Year Expenditures (Memorandum Only)</i>	<i>Accrued Revenue at July 1, 2022</i>	<i>Current Year Receipts</i>	<i>Grant Auditor Report Timing</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2023</i>
U.S. Department of Agriculture:								
<i>Passed Through Michigan Department of Education:</i>								
Child Nutrition Cluster:								
221970 School Breakfast Program	10.553	\$ 7,531	\$ -	\$ -	\$ 7,531	\$ -	\$ 7,531	\$ -
231970 School Breakfast Program	10.553	43,296	-	-	43,296	7,484	43,296	7,484
220910 Supply Chain Assistance	10.555	8,921	-	-	8,921	-	8,921	-
221960 Supply Chain Assistance	10.555	15,822	-	-	15,822	-	15,822	-
231960 Supply Chain Assistance	10.555	93,293	-	-	93,293	15,250	93,293	15,250
221900 SFSP Operating	10.559	2,726	-	-	-	-	2,726	2,726
Non-cash Assistance (Entitlement Commodities)	10.555	12,355	-	-	12,355	-	12,355	-
Non-cash Assistance (Bonus Commodities)	10.555	804	-	-	804	-	804	-
Total Child Nutrition Cluster		184,748	-	-	182,022	22,734	184,748	25,460
COVID-19 220980 Pandemic EBT Local Level Cost	10.649	628	-	-	628	-	628	-
Total U.S. Department of Agriculture		185,376	-	-	182,650	22,734	185,376	25,460
U.S. Department of Education:								
<i>Passed Through Michigan Department of Education:</i>								
Title I, Part A - Improving Basic Programs								
221530-2122	84.010	192,927	128,386	128,386	2,132	(138,367)	12,113	-
231530-2223	84.010	230,288	-	-	32,010	-	123,524	91,514
Total Title I		423,215	128,386	128,386	34,142	(138,367)	135,637	91,514
Title II, Part A - Improving Teacher Quality State Grants								
220520-2122	84.367	20,107	-	20,107	20,107	-	-	-
230520-2223	84.367	18,979	-	-	7,578	-	18,979	11,401
Total Title II		39,086	-	20,107	27,685	-	18,979	11,401
Title IV, Part A - Student Support & Academic Enrichment Grant								
220750 - 2122	84.424	12,409	12,409	12,409	12,409	-	-	-
230750 - 2223	84.424	12,416	-	-	-	-	10,246	10,246
Total Title IV		\$ 24,825	\$ 12,409	\$ 12,409	\$ 12,409	\$ -	\$ 10,246	\$ 10,246

See Notes to the Schedule of Expenditures of Federal Awards

Continued...

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

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Assistance Listing Number</i>	<i>Program or Award Amount</i>	<i>Prior Year Expenditures (Memorandum Only)</i>	<i>Accrued Revenue at July 1, 2022</i>	<i>Current Year Receipts</i>	<i>Grant Auditor Report Timing</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2023</i>
Title V, Part B - Rural Education Achievement Grant								
220660-2122	84.358	\$ 6,543	\$ 6,543	\$ 6,543	\$ 6,543	\$ -	\$ -	\$ -
230660-2233	84.358	5,995	-	-	-	-	5,995	5,995
Total - School Improvement Grant		12,538	6,543	6,543	6,543	-	5,995	5,995
ESSER - Formula								
COVID-19 213712 - 20-21	84.425D	590,084	470,179	374,959	494,864	-	119,905	-
Total - ESSER - Formula		590,084	470,179	374,959	494,864	-	119,905	-
ESSER III- Formula								
COVID-19 213713 - 2122	84.425U	883,496	15,509	15,509	678,707	-	737,062	73,864
Total - ESSER III - Formula		883,496	15,509	15,509	678,707	-	737,062	73,864
ARP - HCYII Homeless								
COVID-19 - 211012 - 2122	84.425W	8,120	-	-	-	-	2,693	2,693
Total Passed through Michigan Department of Education		2,166,740	633,026	557,913	1,437,000	(115,633)	1,215,893	221,173
Total U.S. Department of Education		1,981,364	633,026	557,913	1,254,350	(138,367)	1,030,517	195,713
Total Federal Financial Assistance		\$ 2,166,740	\$ 633,026	\$ 557,913	\$ 1,437,000	\$ (115,633)	\$ 1,215,893	\$ 221,173

See Notes to the Schedule of Expenditures of Federal Awards

Concluded.

Tekonsha Community Schools

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Tekonsha Community Schools (the "School District") 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the School District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both the actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and the end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the grant financial reports. The amounts on the Grant Auditor Report reconcile with this Schedule.

The School District has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2023 that is not included on the schedule of expenditures of federal awards.

Tekonsha Community Schools

Notes to the Schedule of Expenditures of Federal Awards

Note 4 - Reconciliation to the Schedule of Expenditures of Federal Awards

The federal revenues reported in the fund financial statements of \$1,215,893, which is equal to the federal expenditures reported in the schedule of expenditures of federal awards.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Tekonsha Community Schools
Tekonsha, 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 Tekonsha Community School's (the "School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 19, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

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

Gabridge & Company, PLC
Grand Rapids, MI
October 19, 2023

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

To the Board of Education
Tekonsha Community Schools
Tekonsha, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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

Gabridge & Company, PLC
Grand Rapids, MI
October 19, 2023

**Tekonsha Community Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
Education Stabilization Fund	84.425
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings to report.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings to report.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No findings to report.

October 19, 2023

To the Board of Education
Tekonsha Community Schools
Tekonsha, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tekonsha Community Schools (the “School District”) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 1, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

- Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.
- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 19, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated October 19, 2023.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedules, which are required supplementary

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

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

Restriction on Use

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

Very truly yours,

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

Gabridge & Company, PLC
Grand Rapids, MI