



ADAMS TOWNSHIP SCHOOL DISTRICT
Houghton County, Michigan

Annual Financial Report

For the year ended June 30, 2023

ADAMS TOWNSHIP SCHOOL DISTRICT
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Year ended June 30, 2023

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

September 20, 2023

The Board of Education
Adams Township School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Adams Township School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Adams Township 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, the major fund, and the aggregate remaining fund information of Adams Township School District, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund, 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 Adams Township 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 Adams Township 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 Adams Township 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 Adams Township School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adams Township School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

Changes in Accounting Principle

As discussed in Note L to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* for the fiscal year June 30, 2023. Our opinion is not modified in respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023, on our consideration of Adams Township 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 Adams Township 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 Adams Township School District's internal control over financial reporting and compliance.



Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS



ADAMS TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2023

As management of the Adams Township School District (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position, and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District’s operations in more detail than the district-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 Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 district-wide statements report the District’s net position, and how it has changed. Net position - the difference between the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District’s overall health, one should consider additional non-financial factors such as changes in the District’s property tax-base and the condition of school buildings and other facilities.



ADAMS TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2023

In the district-wide financial statements, the District's activities are presented as follows:

- **Governmental activities:** The District's basic services are included here, 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.

New Accounting Pronouncements Implemented

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This Statement enhances the relevance and consistency of information about governments' subscription-based information technology arrangements. See Note L for additional information.

Condensed District-wide Financial Information

The Statement of Net Position provides financial information on the District as a whole.

	2023	2022
Assets		
Current assets	\$ 1,964,225	\$ 1,601,562
Net capital assets	9,028,568	9,341,235
Total Assets	10,992,793	10,942,797
Deferred Outflows of Resources	3,622,703	2,049,253
Liabilities		
Current liabilities	2,359,333	1,782,450
Long-term liabilities	7,379,795	7,838,239
Net pension liability	8,999,112	5,493,200
Net OPEB liability	521,073	351,518
Total Liabilities	19,259,313	15,465,407
Deferred Inflows of Resources	1,166,674	3,230,753
Net Position		
Net investment in capital assets	673,630	544,911
Restricted	129,525	154,680
Unrestricted (deficit)	(6,613,646)	(6,403,701)
Total Net Position	\$ (5,810,491)	\$ (5,704,110)



ADAMS TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2023

The Statement of Activities presents changes in net position from operating results:

	2023	2022
Program Revenues		
Charges for services	\$ 98,232	\$ 23,011
Operating grants	1,861,187	1,291,045
General Revenues		
Property taxes	1,188,543	1,112,296
State school aid, unrestricted	3,832,838	3,670,402
Interest and investment earnings	9,688	985
Other	160,276	146,630
Total Revenues	7,150,764	6,244,369
Expenses		
Instruction	4,209,810	3,164,293
Supporting services	2,102,659	1,771,552
Food service	311,361	284,136
Other	-	20,568
Interest on long-term debt	264,668	265,519
Depreciation - unallocated	368,647	352,874
Total Expenses	7,257,145	5,858,942
Increase (Decrease) in Net Position	(106,381)	385,427
Net Position, Beginning of Year	(5,704,110)	(6,089,537)
Net Position, End of Year	\$ (5,810,491)	\$ (5,704,110)

Financial Analysis of the District as a Whole

Total expenses exceeded revenues by \$106,381 on the Statement of Activities, decreasing total net position from a deficit of \$5,704,110 at June 30, 2022 to a deficit of \$5,810,491 at June 30, 2023. Unrestricted net position decreased by \$209,945 to a deficit of \$6,613,646 at June 30, 2023. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$381,854 during the fiscal year. In addition, the District's net OPEB liability, including deferred outflows and inflows of resources, decreased by \$343,916 during the fiscal year.

The District's financial position is the product of many factors.

The District's total revenues were \$7.15 million. Property taxes and unrestricted State aid accounted for most of the District's revenues, contributing 70% of the total. The remainder came from State and federal aid for specific programs (26%), fees charged for services, interest earnings and other local sources.

The total cost of all programs was \$7.26 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (71%). The District's operation and maintenance services accounted for 10% of total costs.



ADAMS TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2023

The current position of the District's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during these challenging economic times. Despite the ongoing uncertainty of funding revenue from the State of Michigan, the District has endeavored to maintain a positive fund balance.

- The District has conducted a thorough budget analysis and has broken the budget down into specific components and their related expenses. This has allowed the District to prioritize expenses, and also to identify where cuts could occur if necessary.
- Regular updates were provided to the Board of Education during the school year. This information is also presented to the community via the District's website transparency reporting.
- Collaboration with the surrounding districts have helped reduce expenditures in many areas including special education, special education transportation, technology, and business services.

Fund Financial Statements

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

The District utilizes one kind of fund:

- *Governmental funds*: Most of the 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Adams Township School District's funds are described as follows:

Major Fund

General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$6,124,432, total expenditures of \$6,260,925, and other financing uses of \$8,014. The fund balance at June 30, 2023 was \$545,510, down from \$690,017 at June 30, 2022.



ADAMS TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2023

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, the Food Service Fund, and the Student/School Activity Fund. The total revenue for all Special Revenue funds was \$321,434, total expenditures of \$353,447, and other financing sources of \$8,014. The fund balances at June 30, 2023 totaled \$103,809, down from \$127,808 at June 30, 2022. Of the ending fund balances, \$74,521 is attributed to the Food Service Fund and \$29,288 is attributed to the Student/School Activity Fund.

Debt Service

The District has one nonmajor Debt Service Fund. Total revenues were \$704,852 and total expenditures were \$707,744. The fund balance at June 30, 2023 was \$36,034, down from \$38,926 at June 30, 2022.

Capital Projects Funds

The District has one nonmajor Capital Projects Fund. Total revenues were \$46 and no expenditures. The ending fund balance was \$22,337 at June 30, 2023, up from \$22,291 at June 30, 2022.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget one time after the June, 2022 adoption. Amendments were needed due to:

- In June, 2023 changes were adopted to account for the final annual adjustments of revenues and expenditures anticipated at fiscal year-end.
- The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$260,730.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023, the District had a \$14,386,162 investment in a broad range of capital assets, including land, school buildings and additions, vehicles, and furniture and equipment. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.) Total depreciation expense for the year was \$368,647.

At June 30, 2023, the District's investments in capital assets (net of accumulated depreciation), which decreased by \$312,667 during the current fiscal year, is detailed as follows:

Land	\$	2
Buildings and additions		8,413,813
Land improvements		201,833
Furniture and equipment		366,996
Vehicles		45,924
		<hr/>
Net Capital Assets	\$	9,028,568



ADAMS TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2023

Long-term Obligations

At year end, the District had \$7,873,239 in general obligation bonds and other long-term obligations outstanding – a net decrease of \$448,444 from last year.

The District's bond rating for general obligation debt was affirmed by Moody's as "Baa2" with a stable outlook. The District's other obligations include State School Bond Loans and severance pay. There is more detailed information about long-term liabilities in Note G in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- State funding for the 2023-24 school year was approved in July after the District's budget was approved. The District will be amending the budget during the year to incorporate the State funding along with additional funding and expenses.
- Although the economy has shown to be strong, the District continues to be cautious in its spending. There has been a lot of Federal money being spent. That money is running out and will not continue after the coming.
- Enrollment continues to be stable and the District anticipates this to continue.
- Employee retirement costs paid into the Michigan Public Schools Employees' Retirement System (MPERS), controlled by the State, continues to be a cause for concern into the future. Prior year legislative groups have begun to address this unfunded liability, the fact remains there are less people paying into this system and more people receiving benefits each year, as state-wide decline in students have dictated retirees are not replaced locally on a one-to-one basis. For every dollar paid to employees throughout the year, the District pays a percentage into MPERS. Addressing the unfunded MPERS liability is necessary; however, it does reduce the overall available funds to all districts, as this funding dedicates a portion of school aid directly to this item.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Adams Township School District, 43084 Goodell St, Painesdale, Michigan 49955.

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BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash	\$ 100
Cash equivalents, deposits and investments (Note B)	817,184
Accounts receivable	16,577
Due from other governmental units (Note C)	1,111,624
Deposits	1,500
Prepaid expenses	17,240
Capital assets not being depreciated (Note E)	2
Capital assets being depreciated, net (Note E)	9,028,566
	10,992,793
Deferred Outflows of Resources	
Deferred pension amounts	2,776,389
Deferred OPEB amounts	846,314
	3,622,703
Liabilities	
Accounts payable	16,593
Due to other governmental units	282,545
Accrued expense	66,053
Payroll withholdings	311,090
Accrued interest payable	615,615
Unearned revenue	123,993
State aid note payable	450,000
Long-term liabilities (Note G):	
Due within one year	493,444
Due in more than one year	7,379,795
Net pension liability	8,999,112
Net OPEB liability	521,073
	19,259,313
Deferred Inflows of Resources	
Deferred pension amounts	62,453
Deferred OPEB amounts	1,104,221
	1,166,674
Net Position	
Net investment in capital assets	673,630
Restricted for:	
Debt service	3,379
Capital projects	22,337
Food service	74,521
Student/school activity	29,288
Unrestricted (deficit)	(6,613,646)
	(5,810,491)
Total Net Position	\$ (5,810,491)

See accompanying notes to basic financial statements.

ADAMS TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 4,209,810	\$ -	\$ 1,640,036	\$ (2,569,774)
Supporting services	2,102,659	29,378	12,594	(2,060,687)
Food service	311,361	68,854	208,557	(33,950)
Interest on long-term debt	264,668	-	-	(264,668)
Depreciation - unallocated*	368,647	-	-	(368,647)
Total Governmental Activities	<u>\$ 7,257,145</u>	<u>\$ 98,232</u>	<u>\$ 1,861,187</u>	<u>(5,297,726)</u>
General Revenues				
Taxes:				
				484,358
				704,185
				3,832,838
				9,688
				<u>160,276</u>
				5,191,345
				(106,381)
				<u>(5,704,110)</u>
				<u>\$ (5,810,491)</u>

*This amount excludes direct depreciation expenses of the various programs.

See accompanying notes to basic financial statements.

ADAMS TOWNSHIP SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2023

Assets	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Cash	\$ 100	\$ -	\$ 100
Cash equivalents, deposits, and investments (Note B)	725,211	91,973	817,184
Accounts receivable	7,670	8,907	16,577
Due from other funds	-	67,919	67,919
Due from other governmental units (Note C)	1,109,954	1,670	1,111,624
Deposits	1,500	-	1,500
Prepaid expenditures	17,240	-	17,240
	<u>\$ 1,861,675</u>	<u>\$ 170,469</u>	<u>\$ 2,032,144</u>
Total Assets			
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 11,688	\$ 4,905	\$ 16,593
Due to other funds	67,919	-	67,919
Due to other governmental units	282,545	-	282,545
Accrued expenditures	66,053	-	66,053
Salaries payable	311,090	-	311,090
Accrued interest	6,261	-	6,261
Unearned revenue	120,609	3,384	123,993
State aid note payable	450,000	-	450,000
	<u>1,316,165</u>	<u>8,289</u>	<u>1,324,454</u>
Total Liabilities			
Fund Balances (Note A)			
Nonspendable	18,740	-	18,740
Restricted	-	162,180	162,180
Unassigned	526,770	-	526,770
	<u>545,510</u>	<u>162,180</u>	<u>707,690</u>
Total Fund Balances			
Total Liabilities and Fund Balances	<u>\$ 1,861,675</u>	<u>\$ 170,469</u>	<u>\$ 2,032,144</u>

See accompanying notes to basic financial statements.

ADAMS TOWNSHIP SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total governmental fund balances		\$ 707,690
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$14,386,162 and accumulated depreciation is \$5,357,594.		9,028,568
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$ (6,385,000)	
State school bond loan	(1,328,897)	
Bond premium, unamortized	(64,342)	
Severance pay	<u>(95,000)</u>	(7,873,239)
Accrued interest is not included as a liability in governmental funds.		(609,354)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(8,999,112)	
Deferred outflows	2,776,389	
Deferred inflows	<u>(62,453)</u>	(6,285,176)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(521,073)	
Deferred outflows	846,314	
Deferred inflows	<u>(1,104,221)</u>	<u>(778,980)</u>
Total net position - governmental activities		<u><u>\$ (5,810,491)</u></u>

See accompanying notes to basic financial statements.

ADAMS TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2023

	General	Nonmajor	Total
Revenues			
Local sources	\$ 638,964	\$ 813,163	\$ 1,452,127
State sources	4,927,536	12,158	4,939,694
Federal sources	545,920	196,399	742,319
Interdistrict sources	12,012	4,612	16,624
Total Revenues	<u>6,124,432</u>	<u>1,026,332</u>	<u>7,150,764</u>
Expenditures			
Current:			
Instruction	4,159,312	-	4,159,312
Supporting services	2,101,058	44,151	2,145,209
Food service	-	309,296	309,296
Capital outlay	555	-	555
Debt service			
Principal repayment	-	470,000	470,000
Interest and fiscal charges	-	237,744	237,744
Total Expenditures	<u>6,260,925</u>	<u>1,061,191</u>	<u>7,322,116</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(136,493)</u>	<u>(34,859)</u>	<u>(171,352)</u>
Other Financing Sources (Uses)			
Transfers in	-	8,014	8,014
Transfers out	(8,014)	-	(8,014)
Total Other Financing Sources (Uses)	<u>(8,014)</u>	<u>8,014</u>	<u>-</u>
Net Change in Fund Balances	(144,507)	(26,845)	(171,352)
Fund Balances, Beginning of Year	<u>690,017</u>	<u>189,025</u>	<u>879,042</u>
Fund Balances, End of Year	<u>\$ 545,510</u>	<u>\$ 162,180</u>	<u>\$ 707,690</u>

See accompanying notes to basic financial statements.

ADAMS TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2023

Net change in fund balances - total governmental funds \$ (171,352)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

	Capital outlays	\$ 55,980	
	Depreciation expense	<u>(368,647)</u>	(312,667)

Bond premium is amortized over the life of the new bond issue on the Statement of Activities.	5,944
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Repayment of principal for bonds are expenditures in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	470,000
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Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid.	(32,868)
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In the Statement of Net Position, severance pay is measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned exceeded the amounts used/paid by \$27,500.	(27,500)
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The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	(381,854)
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The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	<u>343,916</u>
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Total changes in net position - governmental activities	<u><u>\$ (106,381)</u></u>
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ADAMS TOWNSHIP SCHOOL DISTRICT
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ 564,730	\$ 631,030	\$ 638,964	\$ 7,934
State sources	4,472,485	4,970,575	4,927,536	(43,039)
Federal sources	487,275	596,405	545,920	(50,485)
Interdistrict sources	-	-	12,012	12,012
Total Revenues	5,524,490	6,198,010	6,124,432	(73,578)
Expenditures				
Current:				
Instruction:				
Basic programs	3,050,542	3,701,633	3,651,186	50,447
Added needs	542,853	556,529	508,126	48,403
Supporting services:				
Pupil services	21,740	4,645	2,288	2,357
Instructional staff services	7,115	24,925	22,170	2,755
General administration services	327,152	353,399	333,025	20,374
School administrative services	426,122	462,086	436,128	25,958
Business services	68,250	89,859	95,486	(5,627)
Operation and maintenance services	750,659	691,869	635,812	56,057
Pupil transportation services	261,600	278,991	261,031	17,960
Central services	101,460	112,825	115,356	(2,531)
Other supporting services	168,806	180,979	199,762	(18,783)
Capital Outlay	7,000	1,000	555	445
Total Expenditures	5,733,299	6,458,740	6,260,925	197,815
Excess (Deficiency) of Revenues Over Expenditures	(208,809)	(260,730)	(136,493)	124,237
Other Financing Sources (Uses)				
Transfers out	(6,695)	(17,750)	(8,014)	9,736
Net Change in Fund Balances	(215,504)	(278,480)	(144,507)	133,973
Fund Balances, Beginning of Year	690,017	690,017	690,017	-
Fund Balances, End of Year	\$ 474,513	\$ 411,537	\$ 545,510	\$ 133,973

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Note A – Summary of Significant Accounting Policies

Adams Township School District (the “District”) was organized under the School Code of the State of Michigan and services a population of approximately 467 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District’s significant accounting policies are described below.

1. Reporting Entity

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

2. District-wide and Fund Financial Statements

District-wide Financial Statements – The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resources basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net position is reported in three parts: invested in capital assets, net of related debt; restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

ADAMS TOWNSHIP SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Nonmajor funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities, and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided separately.

Revenues are recognized when susceptible to accrual, i.e., 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 District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 State portion of the foundation allowance is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

ADAMS TOWNSHIP SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

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

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Student/School Activity Special Revenue Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases, and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Adams Township School District has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

ADAMS TOWNSHIP SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Adams Township School District utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

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

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventories and Prepaid Items

Inventories are valued at cost (first-in, first-out). Inventories of the Food Service Fund consist of food and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

ADAMS TOWNSHIP SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2023

8. Capital Assets

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

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

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

Land improvements	10 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 10 years
Vehicles	5 - 10 years

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable is reported at the total amount of bonds issued.

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

10. Severance Pay

Severance pay at June 30, 2023 has been computed and recorded in the district-wide financial statements of the District. Eligible District employees who retire are entitled to a termination leave payment based on their age and years of service. At June 30, 2023, the accumulated liabilities for severance pay, including salary related payments (expected to be financed by General Fund revenues), amounted to \$95,000.

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed.

ADAMS TOWNSHIP SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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. Plan investments are reported at fair value.

12. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establishes standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

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. Plan investments are reported at fair value.

13. Deferred Outflows/Inflows 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 future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of the net OPEB liability on the financial statements.

ADAMS TOWNSHIP SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2023

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 future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB liability on the financial statements.

14. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

15. Fund Balance

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement 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 as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end.
- Assigned - resources that are constrained by the government’s *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Assigned fund balance does not lapse at year end.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

ADAMS TOWNSHIP SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2023

As of June 30, 2023, Adams Township School District has not established a policy for its use of unrestricted fund balance amounts, it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- 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 in Michigan.

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Balances at June 30, 2023 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	<u>\$ 817,184</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Superior National Bank
2. Miners State Bank

Cash equivalents consist of bank checking and savings accounts. Deposits consist of certificates of deposit.

June 30, 2023 balances are detailed as follows:

Cash equivalents	\$ 211,057
Deposits	<u>22,337</u>
	<u>\$ 233,394</u>

Custodial Credit Risk as Related to Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned to the District. Protection of District cash equivalents is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District’s cash equivalents and deposits was \$233,394 and the bank balance was \$330,039. The entire bank balance was covered by federal depository insurance.

Investments

As of June 30, 2023, the District had the following investments:

Michigan Liquid Asset Fund Plus (MILAF+) MAX Class	<u>\$ 583,790</u>
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The Michigan Liquid Asset Fund Plus (MILAF+) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF+ is not regulated or registered with the Securities Exchange Commission. The MILAF+ is carried at amortized cost and was rated AAAM by Standard & Poor’s rating agency.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for investment custodial credit risk. At June 30, 2023, the District had no investments that were subject to custodial credit risk.

ADAMS TOWNSHIP SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy does not have specific limits on investment credit risk.

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy does not have specific limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy does not have specific limits on concentration of credit risk.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2022 and October 2022. The 2022-23 "Foundation Allowance" for Adams Township School District was \$9,150 for 468 "Full Time Equivalent" students. This, along with other State Aid revenue, generated \$5,052,710 in State aid payments to the District, of which \$923,641 was paid to the District in July and August 2023 and included in "Due From Other Governmental Units" of the General Fund and the Food Service Special Revenue Fund of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy system by the City of Houghton and the Townships of Adams and Bohemia, and due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Houghton and Ontonagon, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

ADAMS TOWNSHIP SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2023

As Adams Township School Districts' electors previously (November 2022) approved a ten-year operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2022.

The District levied 11.45 mills for debt service purposes, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRES.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRES) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the Counties of Houghton and Ontonagon with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high-tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timeliness for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2023, there were no businesses located within the Adams Township School Districts' boundaries with an active IFE certificate.

ADAMS TOWNSHIP SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note D –Interfund Receivables/Payables and Transfers

Amounts due from/to other funds representing unreimbursed expenditures at June 30, 2023 are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds		
General Fund:		
Special Revenue Funds		
Food Service Fund	\$ -	\$ 66,064
Student/School Activity Fund	-	474
Debt Service Fund	-	1,381
	<u>-</u>	<u>1,381</u>
Total Major Funds	<u>-</u>	<u>67,919</u>
 Nonmajor Funds		
Special Revenue Funds:		
Food Service Fund:		
General Fund	66,064	-
Student/School Activity:		
General Fund	474	-
Debt Service Fund:		
General Fund	1,381	-
	<u>1,381</u>	<u>-</u>
Total Nonmajor Funds	<u>67,919</u>	<u>-</u>
 Total All Funds	<u>\$ 67,919</u>	<u>\$ 67,919</u>

Amounts transferred in/out of funds representing at June 30, 2023 are detailed as follows:

	<u>Transfer In</u>	<u>Transfers Out</u>
Major Fund		
General Fund:		
Special Revenue Funds:		
Food Service Fund	\$ -	\$ 8,014
 Nonmajor Funds		
Special Revenue Funds:		
Food Service Fund:		
General Fund	8,014	-
	<u>8,014</u>	<u>-</u>
 Total All Funds	<u>\$ 8,014</u>	<u>\$ 8,014</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Note E – Capital Assets

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

	Balances July 1, 2022	Additions	Deductions	Balances June 30, 2023
Capital assets not being depreciated:				
Land	\$ 2	\$ -	\$ -	\$ 2
Capital assets being depreciated:				
Land improvements	366,175	\$ -	\$ -	366,175
Buildings and improvements	13,103,396	8,965	-	13,112,361
Furniture and equipment	836,028	-	-	836,028
Vehicles	24,581	47,015	-	71,596
Total capital assets being depreciated	14,330,180	\$ 55,980	\$ -	14,386,160
Less accumulated depreciation for:				
Land improvements	145,561	\$ 18,781	\$ -	164,342
Buildings and improvements	4,391,598	306,950	-	4,698,548
Furniture and equipment	432,841	36,191	-	469,032
Vehicles	18,947	6,725	-	25,672
Total accumulated depreciation	4,988,947	\$ 368,647	\$ -	5,357,594
Total capital assets being depreciated, net	9,341,233			9,028,566
Net Capital Assets	\$ 9,341,235			\$ 9,028,566

Depreciation expense for the District was \$368,646. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note F – Short-term Obligations

On March 14, 2023, the District borrowed \$450,000 in anticipation of State aid (interest at 4.77%), the note was due in full on August 31, 2023. Interest expense for the year totaled \$6,261.

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Note G – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2023 are summarized as follows:

	Debt Outstanding July 1, 2022	Debt Added	Debt Retired	Debt Outstanding June 30, 2023
General obligation bonds:				
2017 Refunding Bond	\$ 880,000	\$ -	\$ 215,000	\$ 665,000
2019 Building & Site Bond	4,920,000	-	160,000	4,760,000
2021 Refunding Bond	1,055,000	-	95,000	960,000
Bond premium	70,286	-	5,944	64,342
School Bond Loan Fund	1,328,897	-	-	1,328,897
Severance pay	67,500	27,500	-	95,000
	<u>\$ 8,321,683</u>	<u>\$ 27,500</u>	<u>\$ 475,944</u>	<u>\$ 7,873,239</u>

Long-term bonds and other obligations at June 30, 2023 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$1,940K Refunding May 25, 2017:				
Annual maturities of \$60K to \$205K	May 1, 2031	1.70 - 2.60	\$ 665,000	\$ 205,000
\$5,300K Building and Site January 30, 2019:				
Annual maturities of \$170K to \$290K	May 1, 2042	3.00 - 4.00	4,760,000	170,000
\$1,150K Refunding February 10, 2021:				
Annual maturities of \$105K to \$130K	May 1, 2031	1.00 - 2.00	960,000	105,000
Bond premium			64,342	5,944
Other Obligations				
State School Bond Loan			1,328,897	-
Severance pay			95,000	7,500
			<u>\$ 7,873,239</u>	<u>\$ 493,444</u>

ADAMS TOWNSHIP SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2023

The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

Years Ending June 30	Principal	Interest	Total
2024	\$ 480,000	\$ 195,925	\$ 675,925
2025	380,000	185,240	565,240
2026	390,000	175,430	565,430
2027	405,000	165,335	570,335
2028	410,000	154,840	564,840
2029	420,000	145,495	565,495
2030	435,000	135,735	570,735
2031	435,000	125,245	560,245
2032	250,000	114,675	364,675
2033	260,000	106,550	366,550
2034	270,000	98,100	368,100
2035	270,000	88,650	358,650
2036	280,000	79,200	359,200
2037	280,000	68,000	348,000
2038	280,000	56,800	336,800
2039	280,000	45,600	325,600
2040	280,000	34,400	314,400
2041	290,000	23,200	313,200
2042	290,000	11,600	301,600
	<u>\$ 6,385,000</u>	<u>\$ 2,010,020</u>	<u>\$ 8,395,020</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Note H – Retirement Plan

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (the "System"), is a cost-sharing, multiple-employer, state-wide, defined benefit public employee retirement system governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor, and the State Superintendent of Instruction, who serves as the 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 at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements based on when the employee became a member. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. Certain employees have the option to participate in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

The System also provides disability and survivor benefits to DB plan members.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

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.

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Contributions and Funded Status

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

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

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

Plan Name	Pension Contribution Rates:		
	Plan Status	Member	District
Basic	Closed	0.0 – 4.0 %	20.14%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	20.14%
Pension Plus	Closed	3.0 – 6.4 %	17.22%
Pension Plus 2	Open	6.2%	19.93%
Defined Contribution	Open	0.0%	13.73%

The District’s contributions to MPSERS under all pension plans for the year ended June 30, 2023, inclusive of the MSPERS UAAL Stabilization, totaled \$919,151.

Proportionate Share of Reporting Unit’s Net Pension Liability

At June 30, 2023, the District reported a liability of \$8,999,112 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The District’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the District’s proportion was 0.02392826%, which was an increase from 0.02320213% at September 30, 2021.

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

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

For the year ended June 30, 2023, the District recognized pension expense of \$1,288,704. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 90,023	\$ 20,121
Changes of assumptions	1,546,370	—
Net difference between projected and actual earnings on pension plan investments	21,103	—
Changes in proportion and differences between District contributions and proportionate share of contributions	270,362	42,332
District contributions subsequent to the measurement date*	<u>848,531</u>	<u>—</u>
Total	<u>\$ 2,776,389</u>	<u>\$ 62,453</u>

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended 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:

Years Ending June 30	Amount
2024	\$ 585,739
2025	402,159
2026	341,463
2027	536,044

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.

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

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 (Non-Hybrid):	6.00% net of investment expenses
Pension Plus Plan (Hybrid):	6.00% net of investment expenses
Pension Plus 2:	6.00% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living 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.
Disabled Retirees:	RP-2014 Male and Female Disabled 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 September 30, 2018 valuation. The total pension liability as of September 30, 2022 is based on the results of an actuarial valuation date of September 30, 2021 and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.3922 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at (www.michigan.gov/orsschools).

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Long-Term Expected Rate of Return on Investments

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

Investment Category	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/Oppportunistic Pools	10.0%	5.8%
Short-term Investment Pools	2.0%	(0.5)%
Total	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investments, 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 6.0% was used to measure the total pension liability (6.0% for the Pension Plus Plan , 6.0% for the Pension Plus 2 Plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.0% (6.0% for the Pension Plus Plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine the 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.

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.0%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.0%	Current Single Discount Rate Assumption 6.0%	1% Increase 7.0%
District’s proportionate share of the net pension liability	\$ 11,875,485	\$ 8,999,112	\$ 6,628,851

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 Michigan Public School Employees’ Retirement System September 30, 2022 Annual Comprehensive Financial Report, available here: (www.michigan.gov/orsschools).

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

Payables to the pension plan totaling \$133,936 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note I – Other Postemployment Benefits

Plan Description

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

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

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

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

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Benefits Provided

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

Retiree Healthcare Reform of 2012

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

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

Contributions and Funded Status

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

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

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

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

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0 %	7.23%

Required contributions to the OPEB plan from the District were \$211,595 for the year ended June 30, 2023.

Proportionate Share of Reporting Unit's Net OPEB Liability

At June 30, 2023, the District reported a liability of \$521,073 its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was 0.02460139%, which was an increase from 0.02302957% at September 30, 2021.

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

For the year ended June 30, 2023, the District recognized OPEB credit of \$135,992. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ 1,020,582
Changes of assumptions	464,449	37,818
Net difference between projected and actual earnings on OPEB plan investments	40,726	—
Changes in proportion and differences between District contributions and proportionate share of contributions	158,816	45,821
District contributions subsequent to the measurement date*	182,323	—
Total	\$ 846,314	\$ 1,104,221

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

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

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

Years Ending June 30	Amount
2024	\$ (144,170)
2025	(149,535)
2026	(144,838)
2027	(9,152)
2028	3,993
Thereafter	3,472

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Asset Valuation Method:	Fair Value
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	Pre-65 - 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65 - 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Other Assumptions:

Opt Out Assumptions:	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage:	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for one 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 OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022 is based on the results of an actuarial valuation date of September 30, 2021 and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.2250 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2022 MPERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

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

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

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

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investments, 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 6.0% 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 6.0%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6% percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.0%	Current Discount Rate 6.0%	1% Increase 7.0%
District's proportionate share of the net OPEB liability	\$ 874,050	\$ 521,073	\$ 223,823

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 218,200	\$ 521,073	\$ 861,053

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

Payables to the OPEB plan totaling \$24,385 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note J – Risk Management and Employee Benefits

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

There were no significant reductions in insurance coverage in fiscal 2022-23, and as of year ended June 30, 2023, there were no material pending claims against the District.

Note K – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of \$6,613,646, and a total net position deficit of \$5,810,491 as of June 30, 2023. These deficit net positions result primarily from the net pension liability of \$6,285,176 and the net OPEB liability of \$778,980 (net of deferred outflows and inflows of resources related to the pension and OPEB plans, respectively).

Note L – New Accounting Pronouncements Adopted

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* was adopted by the District during the fiscal year ending June 30, 2023. This statement enhances the relevance and consistency of information about governments' SBITAs by requiring recognition of right-to-use subscription assets and a corresponding subscription liability. Upon implementation, the District was not required to recognize a right-to-use subscription asset or subscription liability as of July 1, 2022. Net position as of July 1, 2022 was not required to be restated as a result of implementing the Statement.

REQUIRED SUPPLEMENTARY INFORMATION

ADAMS TOWNSHIP SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
District's proportion of the net pension liability	0.02392826%	0.02320213%	0.02342153%
District's proportionate share of the net pension liability	\$ 8,999,112	\$ 5,493,200	\$ 8,045,550
District's covered-employee payroll	\$ 2,397,502	\$ 2,008,263	\$ 2,129,145
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	375.35%	263.05%	377.88%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
0.02276000%	0.02124000%	0.02005000%	0.01983000%	0.02062000%	0.02073000%
\$ 7,538,744	\$ 6,385,290	\$ 5,194,872	\$ 4,946,919	\$ 5,037,151	\$ 4,566,629
\$ 2,034,902	\$ 1,885,409	\$ 1,692,460	\$ 1,645,658	\$ 1,775,736	\$ 1,803,198
370.47%	338.67%	306.94%	300.60%	283.67%	253.25%
60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

ADAMS TOWNSHIP SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	Year Ended June 30, 2023	Year Ended June 30, 2022
District's proportion of the net OPEB liability	0.02460139%	0.02302957%
District's proportionate share of the net OPEB liability	\$ 521,073	\$ 351,518
District's covered-employee payroll	\$ 2,397,502	\$ 2,088,263
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	21.73%	16.83%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
0.02391678%	0.02326000%	0.02220000%	0.01995000%
\$ 1,281,286	\$ 1,669,701	\$ 1,764,914	\$ 1,766,753
\$ 2,129,145	\$ 2,034,902	\$ 1,885,409	\$ 1,692,460
60.18%	82.05%	93.61%	104.39%
59.44%	48.46%	42.95%	36.39%

ADAMS TOWNSHIP SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021
Contractually required contribution	\$ 919,151	\$ 798,813	\$ 664,071
Contributions in relation to the contractually required contribution	<u>919,151</u>	<u>798,813</u>	<u>664,071</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,680,960	\$ 2,399,394	\$ 2,151,084
Contributions as a percentage of covered employee payroll	34.28%	33.29%	30.87%

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
\$ 382,093	\$ 354,436	\$ 333,613	\$ 320,046	\$ 333,335	\$ 376,532
<u>382,094</u>	<u>355,420</u>	<u>333,613</u>	<u>320,025</u>	<u>333,335</u>	<u>376,445</u>
<u>\$ (1)</u>	<u>\$ (984)</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 87</u>
\$ 2,109,172	\$ 2,000,605	\$ 1,865,711	\$ 1,694,913	\$ 1,740,269	\$ 1,786,758
18.12%	17.77%	17.88%	18.88%	19.00%	21.00%

ADAMS TOWNSHIP SCHOOL DISTRICT
Required Supplementary Information
Schedule of District OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
Contractually required contribution	\$ 211,595	\$ 179,556	\$ 185,159
Contributions in relation to the contractually required contribution	<u>211,595</u>	<u>179,556</u>	<u>185,159</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,680,960	\$ 2,399,394	\$ 2,151,084
Contributions as a percentage of covered employee payroll	7.89%	7.48%	8.61%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
\$ 166,538	\$ 155,787	\$ 134,973
<u>166,538</u>	<u>155,787</u>	<u>134,973</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,109,172	\$ 2,000,605	\$ 1,865,711
7.90%	7.79%	7.23%

ADAMS TOWNSHIP SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2023

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2022-23.

Changes of assumptions: There were no changes of benefit assumptions in 2022-23.

Note B – Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2022-23.

Changes of assumptions: There were no changes of benefit assumptions in 2022-23.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

ADAMS TOWNSHIP SCHOOL DISTRICT
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2023

Assets	Special Revenue		Debt Service	Capital Projects	Total
	Food Service	Student/School Activity		Capital Improvements	
Cash equivalents and deposits	\$ 3,311	\$ 31,672	\$ 34,653	\$ 22,337	\$ 91,973
Accounts receivable	7,286	1,621	-	-	8,907
Due from other funds	66,064	474	1,381	-	67,919
Due from other governmental units	1,670	-	-	-	1,670
Total Assets	<u>\$ 78,331</u>	<u>\$ 33,767</u>	<u>\$ 36,034</u>	<u>\$ 22,337</u>	<u>\$170,469</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 426	\$ 4,479	\$ -	\$ -	\$ 4,905
Unearned revenue	3,384	-	-	-	3,384
Total Liabilities	<u>3,810</u>	<u>4,479</u>	<u>-</u>	<u>-</u>	<u>8,289</u>
Fund Balance					
Restricted	74,521	29,288	36,034	22,337	162,180
Total Fund Balance	<u>74,521</u>	<u>29,288</u>	<u>36,034</u>	<u>22,337</u>	<u>162,180</u>
Total Liabilities and Fund Balance	<u>\$ 78,331</u>	<u>\$ 33,767</u>	<u>\$ 36,034</u>	<u>\$ 22,337</u>	<u>\$170,469</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
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</u> <u>Service</u>	<u>Capital Projects</u>	<u>Total</u>
	<u>Food</u> <u>Service</u>	<u>Student/School</u> <u>Activity</u>		<u>Capital</u> <u>Improvements</u>	
Revenues					
Local sources	\$ 68,861	\$ 39,404	\$704,852	\$ 46	\$ 813,163
State sources	12,158	-	-	-	12,158
Federal sources	196,399	-	-	-	196,399
Interdistrict sources	-	4,612	-	-	4,612
Total Revenues	<u>277,418</u>	<u>44,016</u>	<u>704,852</u>	<u>46</u>	<u>1,026,332</u>
Expenditures					
Supporting services	-	44,151	-	-	44,151
Food service	309,296	-	-	-	309,296
Debt service:					
Principal repayment	-	-	470,000	-	470,000
Interest and fiscal charges	-	-	237,744	-	237,744
Total Expenditures	<u>309,296</u>	<u>44,151</u>	<u>707,744</u>	<u>-</u>	<u>1,061,191</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(31,878)</u>	<u>(135)</u>	<u>(2,892)</u>	<u>46</u>	<u>(34,859)</u>
Other Financing Sources (Uses)					
Transfers in	8,014	-	-	-	8,014
Net Change in Fund Balance	(23,864)	(135)	(2,892)	46	(26,845)
Fund Balance, Beginning of Year	<u>98,385</u>	<u>29,423</u>	<u>38,926</u>	<u>22,291</u>	<u>189,025</u>
Fund Balance, End of Year	<u>\$ 74,521</u>	<u>\$ 29,288</u>	<u>\$ 36,034</u>	<u>\$ 22,337</u>	<u>\$ 162,180</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	\$ 57,210	\$ 68,861	\$ 11,651
State sources	10,240	12,158	1,918
Federal sources	186,620	196,399	9,779
	<u>254,070</u>	<u>277,418</u>	<u>23,348</u>
Total Revenues			
Expenditures			
Current:			
Food service	323,453	309,296	14,157
	<u>323,453</u>	<u>309,296</u>	<u>14,157</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(69,383)</u>	<u>(31,878)</u>	<u>37,505</u>
Other Financing Sources (Uses)			
Transfers in	17,750	8,014	(9,736)
	<u>17,750</u>	<u>8,014</u>	<u>(9,736)</u>
Net Change in Fund Balance	<u>(51,633)</u>	<u>(23,864)</u>	<u>27,769</u>
Fund Balance, Beginning of Year	<u>98,385</u>	<u>98,385</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 46,752</u></u>	<u><u>\$ 74,521</u></u>	<u><u>\$ 27,769</u></u>

ADAMS TOWNSHIP SCHOOL DISTRICT
Student/School Activity Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	\$ 40,200	\$ 39,404	\$ (796)
Interdistrict sources	-	4,612	4,612
Total Revenues	<u>40,200</u>	<u>44,016</u>	<u>3,816</u>
Expenditures			
Current:			
Other student/school activity	<u>40,500</u>	<u>44,151</u>	<u>(3,651)</u>
Net Change in Fund Balance	(300)	(135)	165
Fund Balance, Beginning of Year	<u>29,423</u>	<u>29,423</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 29,123</u>	<u>\$ 29,288</u>	<u>\$ 165</u>

INTERNAL CONTROL AND COMPLIANCE

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

September 20, 2023

The Board of Education
Adams Township School District

We have audited, 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, the financial statements of the governmental activities and the major fund and aggregate remaining fund information of Adams Township School District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 District's financial statements are free of 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 District'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.



Certified Public Accountants
Grand Rapids, Michigan