RECEIVED
By Gloria Suggitt at 7:27 am, Oct 26, 2023

Roseville Community Schools

Financial Report
with Supplementary Information
June 30, 2023

Contents

Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the Board of Education
Roseville Community Schools

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for 12 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 GAAS 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.

To the Board of Education
Roseville Community Schools

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

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

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

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education
Roseville Community Schools

Other Reporting Required by *Government Auditing Standards*

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

Plante & Moran, PLLC

October 19, 2023

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

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Roseville Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District’s finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District’s operations in more detail than the government-wide financial statements by providing information about the School District’s most significant funds, the General Fund, the 2018 Capital Projects Fund, and the 2023 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The fiduciary statements present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Other Supplementary Information

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

One of the most important questions asked about the School District is, "As a whole, what is the School District’s financial condition as a result of the year’s activities?" The statement of net position and the statement of activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year’s revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District’s net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

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

Reporting the School District's Fund Financial Statements

The School District’s fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

Governmental Funds

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

Fiduciary Funds

The School District has certain fiduciary responsibilities for its custodial fund. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
	(in millions)	
Assets		
Current and other assets	$ 40.3	$ 31.1
Capital assets	108.6	111.5
Total assets	148.9	142.6
Deferred Outflows of Resources	49.3	24.7
Liabilities		
Current liabilities	12.0	11.2
Noncurrent liabilities	112.7	111.8
Net pension liability	119.5	73.7
Net OPEB liability	6.8	4.7
Total liabilities	251.0	201.4
Deferred Inflows of Resources	26.5	52.6
Net Position (Deficit)		
Net investment in capital assets	15.7	13.3
Restricted	1.5	0.8
Unrestricted	(96.5)	(100.8)
Total net position (deficit)	**$ (79.3)**	**$ (86.7)**

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was $(79.3) million at June 30, 2023. Net investment in capital assets totaling $15.7 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position ($(96.5) million) was unrestricted.

The $(96.5) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of GASB Statement Nos. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities from the state-managed retirement system). Unrestricted net position, when available, would enable the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund and the change in the net pension/OPEB liabilities will have significant impacts on the change in unrestricted net position from year to year.

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

	Governmental Activities	
	2023	2022
	(in millions)	
Revenue		
Program revenue:		
Charges for services	$ 0.4	$ 0.4
Operating grants	26.8	24.0
General revenue:		
Taxes	19.5	18.5
State aid not restricted to specific purposes	29.6	27.9
Other	3.2	2.6
Total revenue	79.5	73.4
Expenses		
Instruction	37.8	31.8
Support services	27.6	23.6
Athletics	0.3	0.2
Food services	2.5	2.2
Community services	0.7	0.2
Child care	-	0.1
Debt service	3.2	3.8
Total expenses	72.1	61.9
Change in Net Position	7.4	11.5
Net Position (Deficit) - Beginning of year	(86.7)	(98.2)
Net Position (Deficit) - End of year	**$ (79.3)**	**$ (86.7)**

As reported in the statement of activities, the cost of all of our governmental activities this year was $72.1 million. Certain activities were partially funded from those who benefited from the programs ($0.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($26.8 million). We paid for the remaining public benefit portion of our governmental activities with $19.5 million in taxes and $29.6 million in state foundation allowance.

The School District experienced an increase in net position of $7.4 million. Key reasons for the change in net position are changes in the School District's net pension and OPEB liability.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of $28.8 million, which is an increase of $8.5 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased from $10.7 million last year to $12.4 million this year. The change is mainly attributed to continued federal money received due to COVID-19, the increase in state grants, and the continuing Macomb County Enhancement millage. The School District is continuing to see staff retirements, with replacements being hired at a lower wage, although at a slower rate than the previous year.

The fund balance of our special revenue funds decreased from $2.6 million last year to $2.5 million this year.

Combined, the fund balance of our debt service funds increased slightly. Millage rates remained the same at 11.2 mills. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue related debt service. Debt service fund balances are restricted since they can only be used to pay debt service obligations.

The fund balance of our 2018 Capital Projects Fund decreased by $2.5 million. This decrease is due to continued construction related to the Series I of the 2018 bond issue. These funds are available to fund specific capital projects allowed by state law and approved by the voters and will continue to be utilized for ongoing bond projects.

The fund balance of our new 2023 Capital Projects Fund increased by $9.0 million. This increase is due to the proceeds of the sale of the Series II of 2018 voter-approved bond issue. Series II funds will be primarily used for technology refresh. These funds are available to fund specific capital projects allowed by state law and approved by the voters and will continue to be utilized for ongoing bond projects.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. Typically, these revisions are necessary to reflect changes in student counts, staffing, costs, and grant award assumptions. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. There were significant revisions made to the 2022-2023 General Fund original budget, and the final amendment to the budget was adopted in June 2023. A schedule showing the School District’s original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information section of these financial statements. The impact of the changes to the 2022-2023 budget was a slight projected increase to the fund balance.

Budgeted revenue decreased during the year. Budgeted federal grant revenue decreased to reflect actual federal grant expenditures rather than awarded amounts. In addition, budgeted state revenue increased due to an increase in foundation allowance and additional state grants that were unknown at the time the original budget was adopted. Included in this unknown was an award of a one-time retirement cost offset of about $3.2 million. The variance between actual revenue and final budgeted revenue was $2.25 million, which is a 3.24 percent variance. Much of this variance can be attributed to grant budgets that were not fully spent and subsequently reimbursed.

Budgeted expenditures also decreased to account for the decrease in grant expenditures. The variance between actual expenditures and final budgeted expenditures was $3.18 million, or a 4.63 percent variance. Again, much of this variance can be attributed to grant budgets that were not fully spent.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2023, the School District had $108.6 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately $2.9 million, or 2.6 percent, from last year.

	2023	2022
Land	$ 753,297	$ 753,297
Construction in progress	6,216,664	5,971,122
Buildings and improvements	142,133,398	140,697,403
Furniture and equipment	26,169,922	25,485,981
Buses and other vehicles	3,821,048	3,674,939
Land improvements	11,265,975	10,697,476
Total capital assets	190,360,304	187,280,218
Less accumulated depreciation	81,738,352	75,760,393
Total capital assets - Net of accumulated depreciation	**$ 108,621,952**	**$ 111,519,825**

This year's additions of $3.6 million included vehicles, cafeteria equipment, technology, building renovations, buses, and other vehicles. Several major capital projects are planned for the 2023-2024 fiscal year. We anticipate capital additions will be comparable to this year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had $101.9 million in bonds outstanding versus $100.5 million in the previous year, a change of 1.4 percent.

The School District’s general obligation bond rating is AA. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District’s boundaries. The School District issues qualified debt (i.e., debt backed by the State of Michigan), and, as such, the debt obligations are not subject to this debt limit. The School District does not have any outstanding unqualified general obligation debt.

Other obligations include compensated absences, the School Loan Revolving Fund, and self-insured liabilities. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District’s 2023-2024 fiscal year budget. One of the most important factors affecting the budget is our student count. As a result, the School District's funding is heavily dependent on the State’s ability to fund local school operations. Over 50 percent of total General Fund revenue is from the state foundation allowance. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2023-2024 budget was adopted in June 2023 based on an estimate of students who will enroll in September 2023. Based on early enrollment data at the start of the 2023-2024 school year, we anticipate that the fall student count will be below the estimates used in creating the 2023-2024 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

In addition to the foundation allowance, 18 mills are levied on nonhomestead properties in the School District. Under state law, the School District cannot assess more than 18 mills for general operations.

On May 5, 2018, the voters approved a bond proposal for the purchase of technology, buses, security, band instruments, an athletic field, and other improvements. The debt mills levied increased by 2.5 mills in order to pay the debt on these bonds, and this levy remained constant for 2022-2023. Series I of this bond issue is near completion, and Series II will focus on technology renewals and upgrades as well as new buses.

The School District paid retention bonuses to eligible employees that were funded with COVID-19 grants. As in the past, the goal is to keep a tight control on finances while providing the best possible education to each student.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the executive director of business and finance of Roseville Community Schools at 18975 Church St., Roseville, MI 48066.

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets	
Cash and investments (Note 4)	$ 12,915,486
Receivables:	
Other receivables	57,149
Due from other governments	11,882,362
Inventory	254,122
Prepaid expenses	39,779
Restricted assets: (Note 4)	
Restricted cash and cash equivalents	1,454,115
Restricted investments	13,706,278
Capital assets - Net (Note 6)	108,621,952
Total assets	148,931,243
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	3,439,548
Deferred pension costs (Note 10)	36,847,155
Deferred OPEB costs (Note 10)	8,993,618
Total deferred outflows of resources	49,280,321
Liabilities	
Accounts payable	1,879,386
Due to other governmental units	2,727,067
Accrued liabilities and other	5,161,004
Unearned revenue (Note 5)	2,273,780
Noncurrent liabilities:	
Due within one year (Note 8)	10,874,137
Due in more than one year (Note 8)	101,848,736
Net pension liability (Note 10)	119,475,530
Net OPEB liability (Note 10)	6,783,237
Total liabilities	251,022,877
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the measurement date (Note 10)	8,711,345
Deferred pension cost reductions (Note 10)	2,962,489
Deferred OPEB cost reductions (Note 10)	14,796,548
Total deferred inflows of resources	26,470,382
Net Position (Deficit)	
Net investment in capital assets	15,667,014
Restricted:	
Debt service	557,964
Capital projects	919,489
Unrestricted	(96,426,162)
Total net position (deficit)	**$ (79,281,695)**

Statement of Activities

Year Ended June 30, 2023

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 37,784,861	$ 15,040	$ 15,259,792	$ (22,510,029)
Support services	27,624,792	84,481	7,982,045	(19,558,266)
Athletics	286,563	20,100	-	(266,463)
Food services	2,548,433	86,302	3,279,561	817,430
Community services	738,905	-	234,766	(504,139)
Interdistrict payments	2,418	-	-	(2,418)
Child care	-	182,917	-	182,917
Interest	3,093,114	-	-	(3,093,114)
Other debt costs	125,115	-	-	(125,115)
Total primary government	**$ 72,204,201**	**$ 388,840**	**$ 26,756,164**	(45,059,197)

General revenue:	
Taxes:	
Property taxes levied for general purposes	8,554,828
Property taxes levied for debt service	10,902,933
State aid not restricted to specific purposes	29,601,533
Interest and investment earnings	500,668
Penalties, interest, and other taxes	24,558
Other:	
Countywide enhancement millage	2,187,608
Other	718,573
Total general revenue	52,490,701
Change in Net Position	7,431,504
Net Position (Deficit) - Beginning of year	(86,713,199)
Net Position (Deficit) - End of year	**$ (79,281,695)**

See notes to financial statements.

Governmental Funds Balance Sheet

June 30, 2023

	General Fund	2018 Capital Projects Fund	2023 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	$ 11,401,279	$ -	$ -	$ 1,514,207	$ 12,915,486
Receivables:					
Other receivables	30,128	-	-	17,426	47,554
Due from other governments	11,823,696	-	-	58,666	11,882,362
Due from other funds (Note 7)	985,282	32,471	-	1,550,696	2,568,449
Inventory	226,333	-	-	27,789	254,122
Prepaid expenses	39,779	-	-	-	39,779
Restricted assets: (Note 4)					
Restricted cash and cash equivalents	-	382,138	-	1,071,977	1,454,115
Restricted investments	-	4,662,170	9,044,108	-	13,706,278
Total assets	**$ 24,506,497**	**$ 5,076,779**	**$ 9,044,108**	**$ 4,240,761**	**$ 42,868,145**
Liabilities					
Accounts payable	$ 834,024	$ 953,086	$ -	$ 92,276	$ 1,879,386
Due to other governmental units	2,727,067	-	-	-	2,727,067
Due to other funds (Note 7)	1,583,197	383,567	84,296	507,794	2,558,854
Accrued liabilities and other	4,610,476	-	-	29,377	4,639,853
Unearned revenue (Note 5)	2,272,322	-	-	1,458	2,273,780
Total liabilities	12,027,086	1,336,653	84,296	630,905	14,078,940
Deferred Inflows of Resources - Unavailable revenue (Note 5)	35,759	-	-	-	35,759
Total liabilities and deferred inflows of resources	12,062,845	1,336,653	84,296	630,905	14,114,699
Fund Balances					
Nonspendable:					
Inventory	226,333	-	-	27,789	254,122
Prepaid expenses	39,779	-	-	-	39,779
Restricted:					
Debt service	-	-	-	1,079,115	1,079,115
Capital projects	-	3,740,126	8,959,812	-	12,699,938
Food service	-	-	-	1,627,014	1,627,014
Committed:					
Child care operations	-	-	-	686,076	686,076
Student activities	-	-	-	189,862	189,862
Assigned - Budgeted use of fund balance in subsequent year	2,963,190	-	-	-	2,963,190
Unassigned	9,214,350	-	-	-	9,214,350
Total fund balances	12,443,652	3,740,126	8,959,812	3,609,856	28,753,446
Total liabilities, deferred inflows of resources, and fund balances	**$ 24,506,497**	**$ 5,076,779**	**$ 9,044,108**	**$ 4,240,761**	**$ 42,868,145**

See notes to financial statements.

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

Fund Balances Reported in Governmental Funds	$	28,753,446
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not financial resources and are not reported in the funds:		
Cost of capital assets		190,360,304
Accumulated depreciation		(81,738,352)
Net capital assets used in governmental activities		108,621,952
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		35,759
Deferred outflows related to bond refundings are not reported in the funds		3,439,548
Long-term debt is not due and payable in the current period and are not reported in the funds		(108,174,935)
Accrued interest is not due and payable in the current period and is not reported in the funds		(521,151)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:		
Employee compensated absences		(3,312,819)
Provision for self-insurance claims		(1,235,119)
Net pension liability and related deferred inflows and outflows		(85,590,864)
Net OPEB liability and related deferred inflows and outflows		(12,586,167)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds		(8,711,345)
Net Position (Deficit) of Governmental Activities	**$**	**(79,281,695)**

See notes to financial statements.

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2023

	General Fund	2018 Capital Projects Fund	2023 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	$ 9,062,040	$ 195,223	$ 22,962	$ 11,838,290	$ 21,118,515
State sources	45,197,813	-	-	766,479	45,964,292
Federal sources	10,427,992	-	-	3,447,260	13,875,252
Interdistrict	2,503,685	-	-	-	2,503,685
Total revenue	67,191,530	195,223	22,962	16,052,029	83,461,744
Expenditures					
Current:					
Instruction	36,935,385	-	-	-	36,935,385
Support services	27,827,738	699	-	835,722	28,664,159
Athletics	321,573	-	-	-	321,573
Food services	-	-	-	2,716,697	2,716,697
Community services	36,832	-	-	743,675	780,507
Debt service:					
Principal	180,000	-	-	7,802,044	7,982,044
Interest	55,388	-	-	3,121,262	3,176,650
Other debt costs	-	-	125,115	-	125,115
Capital outlay	331,032	2,738,170	-	260,021	3,329,223
Interdistrict payments	2,418	-	-	-	2,418
Total expenditures	65,690,366	2,738,869	125,115	15,479,421	84,033,771
Excess of Revenue Over (Under) Expenditures	1,501,164	(2,543,646)	(102,153)	572,608	(572,027)
Other Financing Sources (Uses)					
Face value of debt issued (Note 8)	-	-	8,590,000	-	8,590,000
Premium on debt issued (Note 8)	-	-	471,965	-	471,965
Transfers in (Note 7)	195,001	-	-	40,000	235,001
Transfers out (Note 7)	-	-	-	(235,001)	(235,001)
Total other financing sources (uses)	195,001	-	9,061,965	(195,001)	9,061,965
Net Change in Fund Balances	1,696,165	(2,543,646)	8,959,812	377,607	8,489,938
Fund Balances - Beginning of year	10,747,487	6,283,772	-	3,232,249	20,263,508
Fund Balances - End of year	**$ 12,443,652**	**$ 3,740,126**	**$ 8,959,812**	**$ 3,609,856**	**$ 28,753,446**

See notes to financial statements.

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2023

Net Change in Fund Balances Reported in Governmental Funds	$	8,489,938
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, these costs are allocated over their estimated useful lives as depreciation:		
Capitalized capital outlay		3,583,743
Depreciation expense		(6,481,616)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available		7,644
Revenue in support of pension contributions made subsequent to the measurement date		(3,833,683)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position		(9,061,965)
Repayment of bond principal and School Loan Revolving Fund are expenditures in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds		8,129,409
Interest expense is recognized in the government-wide statements as it accrues		(63,829)
Some employee costs (pension, OPEB, compensated absences, and self-insurance claims) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		6,661,863
Change in Net Position of Governmental Activities	**$**	**7,431,504**

Fiduciary Fund
Statement of Fiduciary Net Position

June 30, 2023

	Custodial - Scholarship Fund
Assets	
Cash and investments (Note 4)	$ 146,870
Due from other funds (Note 7)	30
Total assets	146,900
Liabilities	
Accounts payable	93,717
Due to other funds (Note 7)	9,625
Total liabilities	103,342
Net Position - Unrestricted	**$ 43,558**

See notes to financial statements.

Fiduciary Fund
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	Custodial - Scholarship Fund
Additions	
Investment income	$ 4,191
Donations and fundraising	78,887
Total additions	83,078
Deductions	
Scholarships awarded	76,000
Fundraising expenses	23,362
Total deductions	99,362
Net Decrease in Fiduciary Net Position	(16,284)
Net Position - Beginning of year	59,842
Net Position - End of year	**$ 43,558**

See notes to financial statements.

Note 1 - Nature of Business

Roseville Community Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member board. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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 provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 2018 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for installing new and replacement technology infrastructure and equipment, technology upgrades, refurnishing district buildings, improving and developing school sites, acquiring buses, and remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.
- The 2023 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for installing new and replacement technology infrastructure and equipment, technology upgrades, refurnishing district buildings, improving and developing school sites, acquiring buses, and remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District’s special revenue funds include the Food Service, Student Activities, and Child Care funds. The Food Service Fund accounts for the School District's breakfast and lunch programs, and its primary sources of revenue are federal grants and customer sales. Revenue sources for the Student Activities Fund include fundraising revenue and donations earned and received by student groups. The Child Care Fund accounts for the activity of the School District's child care programs, and its primary source of revenue is user fees and federal grants. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the School District). The School District does not have any enterprise or internal service funds.

Note 2 - Significant Accounting Policies (Continued)

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. Activities that are reported as fiduciary include the following:

- The Scholarship Fund accumulates resources used to pay future scholarships on the behalf of students. The funds are segregated and are held for the students.

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in bank investment pooled funds (J Funds) and MILAF, which are valued at amortized cost. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Note 2 - Significant Accounting Policies (Continued)

Inventories and Prepaid Items

Inventories are valued at cost on an average cost basis for central services and on a first-in, first-out basis for food services. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund is recorded as inventory and deferred revenue until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital projects fund required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments

Capital Assets

Capital assets, which include land and land improvements, buildings, furniture and equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	7 to 50
Furniture and equipment	5 to 25
Buses and other vehicles	8
Land improvements	20 to 50

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

Note 2 - Significant Accounting Policies (Continued)

The School District reports deferred outflows related to deferred charges on bond refundings and deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to unavailable revenue (those not collected within the period of availability - reported only at the modified accrual level), revenue in support of pension contributions made subsequent to the measurement date, and deferred pension and OPEB plan cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Note 2 - Significant Accounting Policies (Continued)

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

Property Tax Revenue

Properties are assessed as of December 31, and approximately 80 percent of the related property taxes become a lien on July 1 and the remainder on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from the MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee’s compensation are used to liquidate the obligations.

Use of Estimates

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

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 19, 2023, which is the date the financial statements were available to be issued.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds, except that transfers from other funds are budgeted as part of revenue instead of other financing sources, interdistrict payments and the enhancement millage proceeds are budgeted for as other financing sources instead of interdistrict revenue, other political subdivision amounts are budgeted for separately instead of part of interdistrict revenue, capital outlay is budgeted in other expenditure categories, athletic expenditures are budgeted as other support services, and debt service payments are budgeted for as other financing uses. All actual amounts have been presented in the same basis of presentation as the adopted budget. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

The 2018 and 2023 Capital Projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan’s School Code.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District’s deposits are in accordance with statutory authority.

Note 4 - Deposits and Investments (Continued)

The School District has designated seven financial institutions for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a one-day minimum investment period on MILAF Cash Management funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had bank deposits of $5,707,399 certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk. At June 30, 2023, the School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At June 30, 2023, the School District does not have investments subject to interest rate risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2023, the credit quality ratings of investments (other than the U.S. government) are as follows:

Investment	Carrying Value	Credit Rating	Rating Agency
Primary Government			
MILAF Cash Management Class	$ 13,706,278	AAAm	S&P
Comerica J Fund	5,652,689	Not rated	

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District’s policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All of the School District's investments are in bank investment pools.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2023, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Grant receivables unavailable for use in the current period	$ 35,759	$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	2,272,322
Prepaid student food sales	-	1,458
Total	$ 35,759	$ 2,273,780

Note 6 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

Governmental Activities

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:					
Land	$ 753,297	$ -	$ -	$ -	$ 753,297
Construction in progress	5,971,122	(1,871,380)	2,116,922	-	6,216,664
Subtotal	6,724,419	(1,871,380)	2,116,922	-	6,969,961
Capital assets being depreciated:					
Buildings and improvements	140,697,403	1,318,334	141,853	(24,192)	142,133,398
Furniture and equipment	25,485,981	114,377	951,320	(381,756)	26,169,922
Buses and other vehicles	3,674,939	-	243,818	(97,709)	3,821,048
Land improvements	10,697,476	438,669	129,830	-	11,265,975
Subtotal	180,555,799	1,871,380	1,466,821	(503,657)	183,390,343
Accumulated depreciation:					
Buildings and improvements	53,342,784	-	3,918,430	(24,192)	57,237,022
Furniture and equipment	15,918,565	-	1,721,252	(381,756)	17,258,061
Buses and other vehicles	2,034,156	-	368,509	(97,709)	2,304,956
Land improvements	4,464,888	-	473,425	-	4,938,313
Subtotal	75,760,393	-	6,481,616	(503,657)	81,738,352
Net capital assets being depreciated	104,795,406	1,871,380	(5,014,795)	-	101,651,991
Net governmental activities capital assets	$ 111,519,825	$ -	$ (2,897,873)	$ -	$ 108,621,952

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Instruction	$ 4,537,131
Support services	1,944,485
Total governmental activities	$ 6,481,616

Construction Commitments

The School District has active construction projects at year end related to the 2018 bond issue. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Technology improvements	$ 730,268	$ 29,407
Building improvements	1,554,243	2,073,109

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	2018 Capital Projects Fund	$ 383,567
	Nonmajor governmental funds	507,794
	2023 Capital Projects Fund	84,296
	Scholarship Trust Fund	9,625
	Total General Fund	985,282
Nonmajor governmental funds	General Fund	1,550,696
Scholarship Trust Fund	General Fund	30
2018 Capital Projects Fund	General Fund	32,471
	Total	$ 2,568,479

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Food Service Fund	General Fund	$ 195,001
2021 Refunding Debt Fund	2014 Refunding Debt Fund	40,000
	Total	$ 235,001

The transfer from the Food Service Fund to the General Fund was cover the fund's portion of shared costs. The transfers between the debt service funds were to pay debt service obligations.

Note 8 - Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and notes payable:					
Direct borrowings - School Loan Revolving Fund	$ 1,523,311	$ 47,460	$ (1,000,000)	$ 570,771	$ -
Other debt - General obligation bonds	100,470,000	8,590,000	(7,130,000)	101,930,000	8,440,000
Unamortized bond premiums	5,631,552	471,965	(429,353)	5,674,164	547,344
Total bonds and direct borrowings	107,624,863	9,109,425	(8,559,353)	108,174,935	8,987,344
Compensated absences	3,323,239	118,798	(129,218)	3,312,819	651,674
Self-insurance claims (Note 9)	813,149	5,809,968	(5,387,998)	1,235,119	1,235,119
Total governmental activities long-term debt	$ 111,761,251	$ 15,038,191	$ (14,076,569)	$ 112,722,873	$ 10,874,137

The School District had deferred outflows of $3,439,548 related to deferred charges on bond refundings at June 30, 2023.

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2023 are as follows:

Purpose	Year Issued	Interest Rates	Maturing May 1	Outstanding
$10,665,000 General Obligation Qualified Bond (2014 Refunding) - Due in annual installments of $2,720,000 to $2,860,000	2014	5.00	2025	$ 5,580,000
$6,100,000 General Obligation Qualified Bond (2015 Refunding) - Due in annual installments of $1,570,000 to $1,640,000	2015	5.00	2025	3,210,000
$2,715,000 General Obligation Qualified Bond (2014 Energy Conservation Improvement Bond) - Due in annual installments of $185,000 to $230,000	2014	3.00-3.75	2030	1,450,000
$35,455,000 General Obligation Qualified Bond (2018 School Building and Site) - Due in annual installments of $1,725,000 to $1,850,000	2018	4.00-5.00	2038	26,850,000
$58,915,000 General Obligation Qualified Bond (2021 Refunding) - Due in annual installments of $1,140,000 to $6,275,000	2021	0.22-2.27	2034	56,250,000
$8,590,000 General Obligation Qualified Bond (2023 School Building and Site) - Due in annual installments of $1,100,000 to $2,720,000	2023	5.00	2027	8,590,000
Total governmental activities				$ 101,930,000

Note 8 - Long-term Debt (Continued)

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The self-insurance claims liability will generally be liquidated through the School District’s General Fund. That fund will finance the payment of those claims by charging the other funds based on management’s assessment of the relative insurance risk that should be assumed by individual funds.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Other Debt		
Years Ending June 30	Principal	Interest	Total
2024	$ 8,440,000	$ 3,126,905	$ 11,566,905
2025	9,825,000	2,810,367	12,635,367
2026	10,555,000	2,371,879	12,926,879
2027	10,420,000	2,090,032	12,510,032
2028	7,985,000	1,797,508	9,782,508
2029-2033	39,525,000	6,078,623	45,603,623
2034-2038	15,180,000	1,513,731	16,693,731
Total	$ 101,930,000	$ 19,789,045	$ 121,719,045

School Loan Revolving Fund

The School Loan Revolving Fund payable represents a direct borrowing from the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005 (the "Act"), as amended. The School Loan Revolving Fund is accessible to school districts for borrowings that initiated after July 19, 2005. Interest during the year ended June 30, 2023 ranged from 1.86 percent to 4.11 percent. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2044. If the School District fails to levy the appropriate debt mills in accordance with the agreement or defaults in loan repayment, the School District shall increase its debt levy in the next succeeding year, and a default late charge of 3 percent will apply. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the School District, no provision for repayment has been included in the above debt maturity schedule. If the School District is in default of the loan agreement, the State of Michigan may withhold state aid funding until repayment terms satisfactory to the State of Michigan have been made.

Note 9 - Risk Management

The School 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 School District is self-insured for health, vision, and dental claims. The School District purchases commercial insurance for life and disability claims and participates in a shared-risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Risk Management (Continued)

The School District estimates the liability for health, vision, and dental claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2023	2022
Estimated liability - Beginning of year	$ 813,149	$ 626,327
Estimated claims incurred, including changes in estimates	5,809,968	5,074,365
Claim payments	(5,387,998)	(4,887,543)
Estimated liability - End of year	$ 1,235,119	$ 813,149

Note 10 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at http://www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50 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.

Depending on the member’s date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

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.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2023 were $15,239,028, which includes the School District's contributions required for those members with a defined contribution benefit. For the year ended June 30, 2023, the School District's required and actual pension contributions include an allocation of $5,505,189 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate, as well as $3,206,156 of a one-time state payment received and remitted to the System for the purpose of contributing additional assets to the System.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2023 were $2,699,525, which includes the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2023, the School District reported a liability of $119,475,530 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 as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the School District's proportion was 0.32 and 0.31 percent, respectively, representing a change of 2.09 percent.

Net OPEB Liability

At June 30, 2023, the School District reported a liability of $6,783,237 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2023 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 as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School District’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the School District’s proportion was 0.32 and 0.31 percent, respectively, representing a change of 3.34 percent.

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

For 2023, the School District recognized pension expense of $13,256,594, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,195,172	$ (267,135)
Changes in assumptions	20,530,177	-
Net difference between projected and actual earnings on pension plan investments	280,170	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,493,011	(2,695,354)
The School District's contributions to the plan subsequent to the measurement date	13,348,625	-
Total	$ 36,847,155	$ (2,962,489)

Note 10 - Michigan Public School Employees' Retirement System (Continued)

The $8,711,345 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2024. 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	Amount
2024	$ 5,186,795
2025	4,152,174
2026	4,163,870
2027	7,033,202
Total	$ 20,536,041

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2023, the School District recognized an OPEB recovery of $2,968,013.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (13,285,762)
Changes in assumptions	6,046,116	(492,309)
Net difference between projected and actual earnings on OPEB plan investments	530,163	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	549,161	(1,018,477)
Employer contributions to the plan subsequent to the measurement date	1,868,178	-
Total	$ 8,993,618	$ (14,796,548)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2024	$ (2,861,861)
2025	(2,505,850)
2026	(2,185,675)
2027	(109,902)
2028	(31,172)
Thereafter	23,352
Total	$ (7,671,108)

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2022 are based on the results of an actuarial valuation as of September 30, 2021 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1, graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

Significant assumption changes since the prior measurement date, September 30, 2021, for the OPEB plan include a decrease in the discount rate used in the September 30, 2022 measurement date by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. The investment rate of return used in the September 30, 2022 measurement date decreased by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2021.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 percent as of September 30, 2022 depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

The long-term expected rate of return on pension plan and 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.10 %
Private equity pools	16.00	8.70
International equity pools	15.00	6.70
Fixed-income pools	13.00	(0.20)
Real estate and infrastructure pools	10.00	5.30
Absolute return pools	9.00	2.70
Real return/opportunistic pools	10.00	5.80
Short-term investment pools	2.00	(0.50)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.2 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00 %)	1 Percentage Point Increase (7.00%)
Net pension liability of the School District	$ 157,663,314	$ 119,475,530	$ 88,007,076

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB liability of the School District	$ 11,378,227	$ 6,783,237	$ 2,913,685

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability of the School District	$ 2,840,495	$ 6,783,237	$ 11,209,042

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2023, the School District reported a payable of $3,230,269 and $346,178 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2023.

Note 11 - State Aid Anticipation Note

State Aid Anticipation Note

The School District has direct borrowings from the Michigan Finance Authority (the "Lender") to provide sufficient resources before receiving its scheduled state aid. This liability is recorded as a fund liability in the General Fund. During the year, the School District paid off this note in full on August 22, 2022 in the amount of $3,003,119. There was no outstanding balance or accrued interest as of June 30, 2023.

Note 12 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2023, the School District's property tax revenue was reduced by $299,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately $185,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from debt service millages. There are no abatements made by the School District.

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 8,947,500	$ 8,938,125	$ 9,047,901	$ 109,776
State sources	39,756,038	46,743,351	45,197,813	(1,545,538)
Federal sources	18,834,146	11,286,792	10,427,992	(858,800)
Other political subdivisions	30,000	14,000	14,139	139
Other financing sources	3,156,427	2,660,297	2,696,268	35,971
Total revenue	70,724,111	69,642,565	67,384,113	(2,258,452)
Expenditures				
Current:				
Instruction:				
Basic programs	35,329,494	28,985,654	28,442,428	(543,226)
Added needs	9,500,079	8,995,694	8,573,020	(422,674)
Support services:				
Pupil	5,196,855	5,211,608	4,605,726	(605,882)
Instructional staff	2,857,285	3,740,870	3,248,578	(492,292)
General administration	852,147	707,524	649,814	(57,710)
School administration	4,422,251	4,899,039	4,836,753	(62,286)
Business	1,113,093	1,003,022	959,807	(43,215)
Operations and maintenance	7,515,413	7,853,920	7,141,805	(712,115)
Pupil transportation services	1,948,105	2,643,866	2,571,173	(72,693)
Central	3,992,494	4,233,848	4,065,051	(168,797)
Other	296,519	326,851	321,573	(5,278)
Community services	51,372	28,885	36,832	7,947
Total expenditures	73,075,107	68,630,781	65,452,560	(3,178,221)
Excess of Revenue (Under) Over Expenditures	(2,350,996)	1,011,784	1,931,553	919,769
Other Financing Uses	(1,050,681)	(965,078)	(235,388)	729,690
Net Change in Fund Balance	(3,401,677)	46,706	1,696,165	1,649,459
Fund Balance - Beginning of year	10,747,487	10,747,487	10,747,487	-
Fund Balance - End of year	**$ 7,345,810**	**$ 10,794,193**	**$ 12,443,652**	**$ 1,649,459**

See notes to required supplementary information.

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Nine Plan Years

Plan Years Ended September 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.31768 %	0.31117 %	0.31913 %	0.33142 %	0.33851 %	0.34016 %	0.33564 %	0.32530 %	0.34144 %
School District's proportionate share of the net pension liability	$ 119,475,530	$ 73,671,676	$ 109,624,736	$ 109,755,055	$ 101,761,730	$ 88,150,523	$ 83,739,286	$ 79,453,603	$ 75,207,890
School District's covered payroll	$ 31,125,270	$ 27,942,239	$ 27,630,198	$ 28,483,737	$ 28,567,961	$ 28,417,940	$ 28,638,999	$ 27,987,798	$ 29,868,452
School District's proportionate share of the net pension liability as a percentage of its covered payroll	383.85 %	263.66 %	396.76 %	385.33 %	356.21 %	310.19 %	292.40 %	283.89 %	251.80 %
Plan fiduciary net position as a percentage of total pension liability	60.77 %	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

See notes to required supplementary information.

Required Supplementary Information
Schedule of Pension Contributions
Michigan Public School Employees' Retirement System

Last Nine Fiscal Years

Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 14,892,837	$ 10,753,710	$ 9,410,529	$ 8,895,307	$ 8,842,843	$ 8,650,650	$ 8,437,506	$ 7,891,226	$ 6,544,598
Contributions in relation to the statutorily required contribution	14,892,837	10,753,710	9,410,529	8,895,307	8,842,843	8,650,650	8,437,506	7,891,226	6,544,598
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
School District's Covered Payroll	$ 30,965,213	$ 29,590,557	$ 27,498,422	$ 28,021,174	$ 28,530,767	$ 28,584,398	$ 29,633,259	$ 28,892,414	$ 28,368,437
Contributions as a Percentage of Covered Payroll	48.10 %	36.34 %	34.22 %	31.74 %	30.99 %	30.26 %	28.47 %	27.31 %	23.07 %

See notes to required supplementary information.

Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability
Michigan Public School Employees' Retirement System

Last Six Plan Years

Plan Years Ended September 30

	2022	2021	2020	2019	2018	2017
School District's proportion of the net OPEB liability	0.32026 %	0.30990 %	0.31269 %	0.32671 %	0.33602 %	0.33942 %
School District's proportionate share of the net OPEB liability	$ 6,783,237	$ 4,730,201	$ 16,751,489	$ 23,450,737	$ 26,710,131	$ 30,057,114
School District's covered payroll	$ 31,125,270	$ 27,942,239	$ 27,630,198	$ 28,483,737	$ 28,567,961	$ 28,417,940
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.79 %	16.93 %	60.63 %	82.33 %	93.50 %	105.77 %
Plan fiduciary net position as a percentage of total OPEB liability	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

See notes to required supplementary information.

Required Supplementary Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

Last Six Fiscal Years

Years Ended June 30

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 2,492,452	$ 2,411,394	$ 2,288,350	$ 2,251,669	$ 2,241,099	$ 2,064,572
Contributions in relation to the statutorily required contribution	2,492,452	2,411,394	2,288,350	2,251,669	2,241,099	2,064,572
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
School District's Covered Payroll	$ 30,965,213	$ 29,590,557	$ 27,498,422	$ 28,021,174	$ 28,530,767	$ 28,584,398
Contributions as a Percentage of Covered Payroll	8.05 %	8.15 %	8.32 %	8.04 %	7.86 %	7.22 %

See notes to required supplementary information.

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

The required contributions for the year ended June 30, 2023 include a one-time contribution of $3,206,156, referred to as 147c(2), related to funding received from the State and remitted to the System for the purpose of contributing additional assets to the System.

Benefit Changes

There were no changes of benefit terms in for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes in assumptions for each of the reported plan years ended September 30 except for the following:

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.

- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes in assumptions for each of the reported plan years ended September 30 except for the following:

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.1 billion in 2022.

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit cost was lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit cost being lower than projected, reduced the plan's total OPEB liability by an additional $1.8 billion in 2020.

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by $1.4 million in 2019.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by $1.4 million in 2018.

Other Supplementary Information

	Special Revenue Funds			Debt Service Funds				
	Food Service Fund	Child Care Fund	Student Activities Fund	2015 Refunding Debt Fund	2014 Refunding Debt Fund	2018 Debt Fund	2021 Refunding Debt Fund	Total
Assets								
Cash and investments	$ 1,335,980	$ -	$ 178,227	$ -	$ -	$ -	$ -	$ 1,514,207
Receivables:								
Other receivables	3,412	14,014	-	-	-	-	-	17,426
Due from other governments	58,666	-	-	-	-	-	-	58,666
Due from other funds	727,558	768,852	44,111	2,152	3,800	3,432	791	1,550,696
Inventory	27,789	-	-	-	-	-	-	27,789
Restricted assets - Restricted cash and cash equivalents	-	-	-	172,920	240,260	350,023	308,774	1,071,977
Total assets	**$ 2,153,405**	**$ 782,866**	**$ 222,338**	**$ 175,072**	**$ 244,060**	**$ 353,455**	**$ 309,565**	**$ 4,240,761**
Liabilities								
Accounts payable	$ 4,753	$ 84,486	$ -	$ 523	$ 924	$ 960	$ 630	$ 92,276
Due to other funds	475,318	-	32,476	-	-	-	-	507,794
Accrued liabilities and other	17,073	12,304	-	-	-	-	-	29,377
Unearned revenue	1,458	-	-	-	-	-	-	1,458
Total liabilities	498,602	96,790	32,476	523	924	960	630	630,905
Fund Balances								
Nonspendable - Inventory	27,789	-	-	-	-	-	-	27,789
Restricted:								
Debt service	-	-	-	174,549	243,136	352,495	308,935	1,079,115
Food service	1,627,014	-	-	-	-	-	-	1,627,014
Committed:								
Child care operations	-	686,076	-	-	-	-	-	686,076
Student activities	-	-	189,862	-	-	-	-	189,862
Total fund balances	1,654,803	686,076	189,862	174,549	243,136	352,495	308,935	3,609,856
Total liabilities and fund balances	**$ 2,153,405**	**$ 782,866**	**$ 222,338**	**$ 175,072**	**$ 244,060**	**$ 353,455**	**$ 309,565**	**$ 4,240,761**

Other Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2023

	Special Revenue Funds			Debt Service Funds				
	Food Service Fund	Child Care Fund	Student Activities Fund	2015 Refunding Debt Fund	2014 Refunding Debt Fund	2018 Debt Fund	2021 Refunding Debt Fund	Total
Revenue								
Local sources	$ 130,683	$ 211,032	$ 486,470	$ 1,860,535	$ 3,095,207	$ 3,517,815	$ 2,536,548	$ 11,838,290
State sources	245,936	127,874	-	67,636	119,483	124,112	81,438	766,479
Federal sources	3,033,625	413,635	-	-	-	-	-	3,447,260
Total revenue	3,410,244	752,541	486,470	1,928,171	3,214,690	3,641,927	2,617,986	16,052,029
Expenditures								
Current:								
Support services	173,046	180,980	459,329	4,009	6,697	6,937	4,724	835,722
Food services	2,716,697	-	-	-	-	-	-	2,716,697
Community services	-	743,675	-	-	-	-	-	743,675
Debt service:								
Principal	-	-	-	1,621,722	2,869,277	1,994,331	1,316,714	7,802,044
Interest	-	-	-	259,728	454,523	1,458,269	948,742	3,121,262
Capital outlay	260,021	-	-	-	-	-	-	260,021
Total expenditures	3,149,764	924,655	459,329	1,885,459	3,330,497	3,459,537	2,270,180	15,479,421
Excess of Revenue Over (Under) Expenditures	260,480	(172,114)	27,141	42,712	(115,807)	182,390	347,806	572,608
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	40,000	-	-	40,000
Transfers out	(195,001)	-	-	-	-	-	(40,000)	(235,001)
Total other financing (uses) sources	(195,001)	-	-	-	40,000	-	(40,000)	(195,001)
Net Change in Fund Balances	65,479	(172,114)	27,141	42,712	(75,807)	182,390	307,806	377,607
Fund Balances - Beginning of year	1,589,324	858,190	162,721	131,837	318,943	170,105	1,129	3,232,249
Fund Balances - End of year	**$ 1,654,803**	**$ 686,076**	**$ 189,862**	**$ 174,549**	**$ 243,136**	**$ 352,495**	**$ 308,935**	**$ 3,609,856**

Other Supplementary Information
Schedule of Bonded Indebtedness

June 30, 2023

Years Ending June 30	2014 Energy Conservation Debt		2014 Refunding Debt Fund		2015 Refunding Debt Fund		2018 Building and Site Bonds		2021 Refunding Debt Fund		2023 Building and Site Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	$ 185,000	$ 49,988	$ 2,720,000	$ 279,000	$ 1,570,000	$ 160,500	$ 1,725,000	$ 1,342,500	$ 1,140,000	$ 915,525	$ 1,100,000	$ 379,392	$ 11,566,905
2025	190,000	44,438	2,860,000	143,000	1,640,000	82,000	1,750,000	1,256,250	1,150,000	910,179	2,235,000	374,500	12,635,367
2026	200,000	38,262	-	-	-	-	1,750,000	1,168,750	5,885,000	902,117	2,720,000	262,750	12,926,879
2027	205,000	31,762	-	-	-	-	1,750,000	1,081,250	5,930,000	850,270	2,535,000	126,750	12,510,032
2028	215,000	24,588	-	-	-	-	1,775,000	993,750	5,995,000	779,170	-	-	9,782,508
2029	225,000	17,062	-	-	-	-	1,775,000	905,000	6,075,000	695,300	-	-	9,692,362
2030	230,000	8,626	-	-	-	-	1,775,000	816,250	6,170,000	597,674	-	-	9,597,550
2031	-	-	-	-	-	-	1,775,000	727,500	6,275,000	489,884	-	-	9,267,384
2032	-	-	-	-	-	-	1,800,000	638,750	5,755,000	375,240	-	-	8,568,990
2033	-	-	-	-	-	-	1,800,000	548,750	5,870,000	258,586	-	-	8,477,336
2034	-	-	-	-	-	-	1,825,000	458,750	6,005,000	133,732	-	-	8,422,482
2035	-	-	-	-	-	-	1,825,000	367,500	-	-	-	-	2,192,500
2036	-	-	-	-	-	-	1,825,000	276,250	-	-	-	-	2,101,250
2037	-	-	-	-	-	-	1,850,000	185,000	-	-	-	-	2,035,000
2038	-	-	-	-	-	-	1,850,000	92,500	-	-	-	-	1,942,500
Total remaining payments	**$ 1,450,000**	**$ 214,726**	**$ 5,580,000**	**$ 422,000**	**$ 3,210,000**	**$ 242,500**	**$ 26,850,000**	**$ 10,858,750**	**$ 56,250,000**	**$ 6,907,677**	**$ 8,590,000**	**$ 1,143,392**	**$ 121,719,045**
Interest rate	3.00 - 3.75%		5.00%		5.00%		4.00 - 5.00%		0.22 - 2.27%		5.00%		
Original issue	**$ 2,715,000**		**$ 10,665,000**		**$ 6,100,000**		**$ 35,455,000**		**$ 58,915,000**		**$ 8,590,000**		**$ 122,440,000**

Principal payments for the bond issues are due on May 1 of each year.
Interest payments for the bond issues are due on May 1 and November 1 of each year.

Roseville Community Schools

Federal Awards Supplemental Information

June 30, 2023

Contents

Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

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

Independent Auditor's Report

To the Board of Education
Roseville Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Roseville Community Schools (the "School District") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 19, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 19, 2023.

The accompanying schedule of expenditures of federal awards and the reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis, as required by the Uniform Guidance, 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 schedule of expenditures of federal awards and the reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

October 19, 2023

plante moran

Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Education
Roseville Community Schools

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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Roseville Community Schools (the "School District") as of and for the year ended June 30, 2023 and the related notes to the basic financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

To Management and the Board of Education
Roseville Community Schools

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 School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 19, 2023

plante moran

Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Education
Roseville Community Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

To the Board of Education
Roseville Community Schools

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

To the Board of Education
Roseville Community Schools

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

Plante & Moran, PLLC

October 19, 2023

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	Assistance Listing Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2023	Current Year Cash Transferred to Subrecipients
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture -										
Passed through the Michigan Department of Education:										
Noncash Assistance (Commodities):										
National Lunch Program Entitlement Commodities 2022-23	N/A	10.555	$ 181,638	$ -	$ -	$ -	$ 181,638	$ 181,638	$ -	$ -
National Lunch Program Bonus Commodities 2022-23	N/A	10.555	8,696	-	-	-	8,696	8,696	-	-
Noncash Assistance (Commodities) subtotal			190,334	-	-	-	190,334	190,334	-	-
Cash Assistance:										
Seamless Summer Option (SSO) - Breakfast	221971	10.553	705,969	705,969	52,422	-	52,422	-	-	-
National School Breakfast Program	221970	10.553	93,701	-	-	-	93,701	93,701	-	-
National School Breakfast Program	231970	10.553	752,588	-	-	-	752,588	752,588	-	-
School Breakfast subtotal			1,552,258	705,969	52,422	-	898,711	846,289	-	-
Supply Chain Assistance 21-22	220910	10.555	84,291	-	-	-	84,291	84,291	-	-
National School Lunch Program	221960	10.555	197,817	-	-	-	197,817	197,817	-	-
NSLP-After School Snack Program 21-22	221980	10.555	12,581	11,179	699	-	2,101	1,402	-	-
Seamless Summer Option (SSO) - Lunch	221961	10.555	1,560,110	1,560,110	93,847	-	93,847	-	-	-
Supply Chain Assistance 22-23	230910	10.555	43,629	-	-	-	43,629	43,629	-	-
National School Lunch Program	231960	10.555	1,598,140	-	-	-	1,598,140	1,598,140	-	-
NSLP-After School Snack Program 22-23	231980	10.555	13,071	-	-	-	13,071	13,071	-	-
National School Lunch program (incl. commodities)			3,699,973	1,571,289	94,546	-	2,223,230	2,128,684	-	-
Summer Food Service Program for Children (SFSPC) - 2019-20 Operating and 2020-21 Extended	220900/210904	10.559	1,712,997	1,657,480	-	-	55,517	55,517	-	-
Total Child Nutrition Cluster			6,965,228	3,934,738	146,968	-	3,177,458	3,030,490	-	-
Special Education Cluster - U.S. Department of Education -										
Passed through the Macomb ISD - IDEA Flowthrough:										
IDEA Flowthrough 2022	220450	84.027	2,392,102	2,392,102	1,260,824	-	1,260,824	-	-	-
IDEA Flowthrough 2023	230450	84.027	2,582,175	-	-	-	1,887,150	2,582,175	695,025	-
COVID-19 American Rescue Plan - IDEA	221280	84.027X	261,808	130,904	55,259	-	158,586	130,904	27,577	-
Total IDEA Flowthrough			5,236,085	2,523,006	1,316,083	-	3,306,560	2,713,079	722,602	-
IDEA Preschool Incentive:										
IDEA Preschool 2022	220460-2122	84.173	157,514	157,514	68,879	-	68,879	-	-	-
IDEA Preschool 2023	230460-2223	84.173	154,695	-	-	-	121,643	154,695	33,052	-
COVID-19 American Rescue Plan - IDEA Preschool	221285	84.173X	77,606	38,803	21,459	-	45,531	38,803	14,731	-
Total IDEA Preschool Incentive			389,815	196,317	90,338	-	236,053	193,498	47,783	-
Total Special Education Cluster			5,625,900	2,719,323	1,406,421	-	3,542,613	2,906,577	770,385	-
Total clusters			12,591,128	6,654,061	1,553,389	-	6,720,071	5,937,067	770,385	-

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	Assistance Listing Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2023	Current Year Cash Transferred to Subrecipients
Other federal awards:										
U.S. Department of Agriculture - Passed through the Michigan Department of Education COVID-19 Pandemic EBT Local Level Costs	220980 - 2022	10.649	$ 3,135	$ -	$ -	$ -	$ 3,135	$ 3,135	$ -	$ -
U.S. Department of Education:										
Passed through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 2122	221530	84.010	1,744,882	1,478,354	394,549	-	396,290	1,741	-	-
Title I Part A 2223	231530	84.010	1,874,635	-	-	-	1,131,995	1,781,057	649,062	-
Total Title I Part A			3,619,517	1,478,354	394,549	-	1,528,285	1,782,798	649,062	-
Title II Part A - Improving Teacher Quality:										
Title II Part A 2122	220520	84.367	337,890	217,875	81,732	-	94,847	13,115	-	-
Title II Part A 2223	230520	84.367	342,973	-	-	-	140,978	264,984	124,006	-
Total Title II Part A			680,863	217,875	81,732	-	235,825	278,099	124,006	-
Title IV Part A - Student Support and Academic Enrichment:										
Title IV - Part A SSAE 2122	220750	84.424	120,392	120,392	48,389	-	48,389	-	-	-
Title IV - Part A SSAE 2223	230750	84.424	120,406	-	-	-	64,956	120,406	55,450	-
Total Title IV Part A			240,798	120,392	48,389	-	113,345	120,406	55,450	-
Education Stabilization Fund (ESF):										
COVID-19 ESSER II Funds - Formula	213712-2021	84.425D	5,724,174	3,185,148	1,364,431	-	3,084,047	2,539,026	819,410	-
COVID-19 ESSER II Funds - Sec 23b Credit Recovery	213742-2122	84.425D	106,150	44,087	44,087	-	102,487	62,063	3,663	-
COVID-19 ESSER II Funds - Formula	213782-2223	84.425D	219,325	-	-	-	-	13,536	13,536	-
COVID-19 ESSER III Funds - Formula	213713-2122	84.425U	12,864,824	200,960	200,960	-	1,799,008	2,534,147	936,099	-
COVID-19 MV ARP Homeless II	211012-2122	84.425W	47,607	-	-	-	-	15,556	15,556	-
Total ESF passed through the Michigan Department of Education			18,962,080	3,430,195	1,609,478	-	4,985,542	5,164,328	1,788,264	-
Passed through the Macomb ISD - Vocational Education - Basic Grants to States (Perkins)	233520/231216	84.048	37,992	-	-	-	33,422	37,992	4,570	-
Passed through the Calhoun ISD - Title I Technical Assistance Grant	231580-2223	84.010	40,000	-	-	-	-	20,203	20,203	-
Total U.S. Department of Education noncluster programs			23,581,250	5,246,816	2,134,148	-	6,896,419	7,403,826	2,641,555	-
U.S. Department of the Treasury - Passed through the Macomb ISD:										
COVID-19 Coronavirus State Fiscal Recovery Fund (GSRP)	222390/GSRP2122	21.027	120,844	102,693	102,693	-	120,844	18,151	-	-
COVID-19 Coronavirus State Fiscal Recovery Fund (GSRP)	222390/GSRP2122C	21.027	14,180	-	-	-	14,180	14,180	-	-
Total U.S. Department of the Treasury noncluster programs			135,024	102,693	102,693	-	135,024	32,331	-	-
Total federal awards			**$ 36,310,537**	**$ 12,003,570**	**$ 3,790,230**	**$ -**	**$ 13,754,649**	**$ 13,376,359**	**$ 3,411,940**	**$ -**

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Revenue from federal sources - As reported on financial statements (includes all funds)	$ 13,875,252
Federal revenue for which the School District is considered a vendor rather than a subrecipient	(534,652)
Amounts reported as deferred inflows of resources (unavailable revenue) as the related receivables were not collected within 60 days of year end	35,759
Federal expenditures per the schedule of expenditures of federal awards	**$ 13,376,359**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The pass-through entity identifying numbers are presented where available.

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

Note 3 - Grant Auditor Report

Management has utilized the Michigan Department of Education NexSys Grant Auditor Report (GAR) in preparing the schedule of expenditures of federal awards. Differences, if any, between the GAR and the schedule of expenditures of federal awards relate to the timing of payments and the fiscal year to which the payments relate.

Note 4 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X None reported

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
10.553, 10.555, 10.559	Child Nutrition Cluster	Unmodified
84.425D, 84.425U, 84.425W	Education Stabilization Fund	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	

Roseville Community Schools

Report to the Board of Education

June 30, 2023

Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

To the Board of Education
Roseville Community Schools

We have recently completed our audit of the basic financial statements of Roseville Community Schools (the "School District") as of and for the year ended June 30, 2023. In addition to our audit report, we are providing the following results of the audit, other recommendations and observations, and informational items that impact the School District:

We are grateful for the opportunity to be of service to Roseville Community Schools. We would also like to extend our thanks to Ms. Rayetta Ashbaugh and the entire business office for their assistance and preparedness during the audit. We recognize that preparing for the audit is carried out in addition to your staff's normal daily activities. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 19, 2023

Results of the Audit

Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

October 19, 2023

To the Board of Education
Roseville Community Schools

We have audited the financial statements of Roseville Community Schools (the "School District") as of and for the year ended June 30, 2023 and have issued our report thereon dated October 19, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 17, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the School District, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 19, 2023 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 17, 2023.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School District are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2023.

We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

The most sensitive estimates affecting the financial statements were the School District's share of the MPSERS net liabilities for the pension and other postemployment benefit (OPEB) plans recorded on the government-wide statements related to GASB Statement Nos. 68 and 75, respectively. The School District's estimates as of June 30, 2023 were $119,475,530 and $6,783,237 for the pension and OPEB plans, respectively, based on data received from the Office of Retirement Services. The School District also recorded an estimated liability associated with the School District's self-insured medical benefits plan. The School District recorded a liability of approximately $1,235,000 related to an estimate of claims incurred as of June 30, 2023 but not yet reported to or paid by the School District.

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

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Significant Findings or Issues

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

Management Representations

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

To the Board of Education
Roseville Community Schools

October 19, 2023

Management Consultations with Other Independent Accountants

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

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

Very truly yours,

Plante & Moran, PLLC

Christopher Geck

Chris Geck
Partner

Michael Walsh

Michael Walsh
Senior Manager

Other Recommendations and Observations

Food Service Fund - Fund Balance

We noted that the fund balance of the Food Service Fund continues to exceed the U.S. Department of Agriculture's maximum allowance of three months' worth of operating expenditures. The School District should continue to monitor its spenddown plan, entered into with the Michigan Department of Education, for reducing the balance to an acceptable level.

GASB Implementation Guide Update 2021-1

The GASB issued an implementation guide that clarifies certain points in the accounting standards. The guide includes an update to existing guidance from a past implementation guide related to accounting for fixed assets. It clarifies that items purchased in a group that are individually below a school district's capitalization threshold but exceed the capitalization threshold in the aggregate should be reported in the school district's fixed asset records. The clarified guidance goes into effect in the year ending June 30, 2024. The School District should review its current practices and written policies to ensure that they align with this clarified guidance.

Informational Items

Managing the Changing Financial Resources Landscape

Since 2020, the School District has faced a continuously changing environment. The pandemic created significant uncertainty, followed by a significant infusion of federal resources, and ultimately a stable and growing fiscal platform for the state budget. As new resources are added, new challenges are created to effectively plan, develop, deliver, evaluate, and account for the programs and services. The new school aid budget will provide many significant opportunities for education. Once again, careful planning will be critical to put the School District in the best position to take advantage of these recurring and nonrecurring resources.

We understand the unique challenges school districts face within the changing funding landscape. We continue to work closely with state and federal decision-makers to both understand the changes and provide insight into potential implications. As a strategic partner and advocate for public education, we continue to meet with decision-makers before actions are finalized so that these groups can be well informed of the implications their actions will have on the students, your business office, and your financial statements. Our work continues with federal and state agencies as new or revised accounting and compliance guidance is developed so we can help school districts be better equipped to manage the new rules and requirements. As guidance is updated and opportunities are identified, we will continue to provide updates to aid the School District in managing changes and navigating complexities. We understand that the last several years have required substantial extra effort by the Board of Education, administration, teachers, and support staff to bring the School District through one of the most extraordinary times in education. We also understand that the work is not done, and we appreciate the opportunity to work side by side with your team during this next chapter.

School Funding - New Initiatives and More Resources for Public Schools

As Michigan exited the pandemic, the fiscal predictions for both the State’s School Aid Fund and the General Fund have been strong. The May 2023 Consensus Revenue Estimating Conference predicted that there will be sufficient resources for current programs, with substantial resources for new initiatives. As schools entered the 2023/2024 fiscal year, the School Aid Bill was completed and signed into law. The bill provided for significant funding increases and resources to fund new initiatives agreed to by the governor and Legislature. Some key highlights include the following:

- In 2022/2023, schools saw the largest increase in per pupil funding since the start of Proposal A (1994/1995). In 2023/2024, that trend continues with a 5 percent increase ($458 per pupil) in the target foundation allowance, now totaling $9,608 per pupil.

- New funding available to declining enrollment districts to smooth the impact of resulting revenue decline

- Fundamental change to the funding of special education. Starting in 2023/2024, the State’s obligation under the Headlee Amendment will be funded from the special education allocation within the school aid budget. Previously, a portion of that obligation was paid from the School District’s foundation allowance allocation.

- Continued contributions to reduce the long-term cost of the MPSERS retirement system, even with discontinuation of the one-time $1 billion contribution occurring in the 2022/2023 fiscal year

- Increased focus on At-Risk, including both additional funding and a new allocation strategy using an opportunity index that provides additional resources where higher student need exists

- Food service universal free breakfast and lunch put in place, which goes beyond what is provided by the federal Child Nutrition Cluster programs

- Preschool programs funded under the Great Start Readiness Program (GSRP) received an increased per pupil revenue allocation and increased eligibility thresholds to 300 percent of the poverty level, which significantly increased access to the program.

- Additional one-time resources to assist in funding mental health and school safety initiatives

- Additional transportation funding to incorporate a formula, including riders per square mile

Many of these initiatives have their roots in the education issues encountered during the pandemic, along with the desire to continue to address the recommendations first identified in the Michigan School Finance Collaborative, which outlined priorities for responding to education needs. This school aid funding also comes at a time when districts are planning for the federal funding cliff, as federal-level education-focused pandemic aid is concluding in September 2024. Careful planning to effectively leverage these new funding sources, along with managing programs initiated during the pandemic, will be critical for school districts throughout the 2023/2024 school year.

State Aid Funding

The 2022/2023 fiscal year provided a glimpse of what might occur as we began to exit the pandemic. Funding included significant increases and some significant one-time resources. It also began to highlight areas requiring additional investment within education. For 2023/2024, improving predictions for state fiscal sustainability provided the governor and Legislature with the opportunity to continue their efforts in educational investment. As a result, the 2023/2024 budget provides significant resources for education, either as one-time funding or as additional recurring investments. This comes at a time when federal pandemic-related funding is nearing its end.

- **2022/2023 State Funding:** The May 2022 Consensus Revenue Estimating Conference predicted there would be sustainable revenue for the next few years. All schools, except for the few hold harmless districts, were funded at the target foundation allowance of $9,150 per pupil. All schools, including hold harmless districts, received an increase from the previous year of $450 per pupil. In addition, the State made additional strides related to recommendations resulting from the School Finance Research Collaborative, which includes increased funding levels for special education; At-Risk; wraparound services, such as nurses and counselors; and the Great Start Readiness Program.

- **2023/2024 State Funding:** Predictions from the May 2023 Consensus Revenue Estimating Conference reinforced the predictions for a growing and stable financial picture for the School Aid Fund for the next few years. These predictions provided the opportunity for the State to continue to make investments in education, shore up funding for long-standing programs, make investments where new needs were identified, and respond to the changing financial structure as federal pandemic-related funding begins to come to a close. Key highlights include the following:

  - Increasing the target foundation allowance by $458 per pupil to $9,608, a 5 percent increase. Hold harmless school districts also receive the $458 per pupil increase. Cyber schools did not receive an increase and continue at $9,150.

- Continuing the traditional blended pupil count methodology, with 90 percent weighting for the October 2023 count and 10 percent weighting for the February 2023 count. However, for declining enrollment districts, a provision was added to use a two-year blended count to slow the impact of the decline on current year revenue. The definition in the State Aid Act suggests that a district would qualify if its 2023 final membership count is lower than the 2022 final membership count. In this case, the school will receive additional funding through Section 29. The additional amount is calculated based on the current foundation allowance multiplied by the difference between the sum of the membership blend of 50 percent of the blended 2022 count and 50 percent of the blended 2023 count and the blended 2023 membership count.

- Completing the change in funding of the state portion of special education. In 2023/2024, special education funding provided by the State will be provided from Section 51 of the State Aid Act. In the past, a portion of the funding was provided from Section 20, where the foundation allowance is determined. In short, special education funding is now fully treated as categorical and is not using foundation allowance amounts to supplement its required payments under the Headlee Amendment.

- Increasing funding for the Great Start Readiness Program by funding reimbursement at the same level as the target foundation allowance and increasing the income limits, which increases the number of families eligible to participate. These steps align with the goal of ultimately making preschool available to all in Michigan.

- Increasing funding for Section 31a/At-Risk programs and using an opportunity index to better weight funding based on need

- Revising Section 31d to provide universal free breakfast and lunch for the 2023/2024 fiscal year with the intention of continuing the program. The program is state funded and does not replace the federal Child Nutrition Cluster. The State is providing implementation guidance as to how the program works and how it interplays with the federal breakfast and lunch programs.

- Additional funding for and revisions to funding method for transportation services to include a formula based upon riders per square mile

- Additional one-time funding infusion for student mental health and school safety services

- One-time allocation for a student loan repayment program for districts to repay loans of employees who work directly with students

- Increasing allocation for contributions to the retirement system to reduce its long-term cost

- Intermediate school district (ISD) operations allocation increasing by 5 percent to mirror the increase in the foundation allowance

The State Aid Act amendments include many other initiatives. Some are policy changes, some are one-time funding initiatives, and others are for additional resources for current or expanded programming. A careful review by administration of the act and its components will be essential to ensure that all the elements impacting district operations are assessed and, if necessary, a district response is put in place.

- **Federal Resources:** Over the last several years, federal funding has been a significant theme related to school funding and school operations. Pandemic-related funding has assisted school districts in responding to the unique circumstances of COVID-19 and, in many cases, afforded districts the opportunity to fund specific one-time initiatives. As districts move into the 2023/2024 school year, many of the unique funding sources resulting from the pandemic have ended or will end shortly. The last major funding source is ARP ESSER III. It is funded as part of the Education Stabilization Fund and is scheduled to sunset in September 2024. For many districts, this last funding source is the largest. It also had the most restrictions attached to its operation. As a result, use of those funds through 2024 will require more careful planning and execution by the School District. Some of the funding may have been used by the School District to fund recurring costs of operations; therefore, it will be important for the School District to consider the budget impact this will have once these resources are no longer available. In short, districts must identify how these funds impacted recurring operations and plan now for if, or how, those operations will be funded once ESSER III funding has ended.

- **Looking Forward:** The May 2023 Consensus Revenue Estimating Conference estimates that the School Aid Fund will remain healthy when projecting out the financial picture over the next few years. As we look forward, one of the key questions is whether the State's economic engine will continue to be sufficient to fund initiatives taken in this budget cycle. Additionally, if there is a change in the political landscape in the next election cycle, the nature, type, focus, and level of resources available to public education could also change. Careful monitoring of these factors will be necessary to make reasonable budget assumptions moving into 2024 and beyond.

2023 Funding Implications for the School District

Entering the 2022/2023 fiscal year, the School Aid Fund and the General Fund showed improved financial health and more predictable revenue streams. The governor and Legislature were able to come to an agreement on the school aid package before the beginning of the School District's 2022/2023 fiscal year. The result was that the School District was able to estimate the financial inflows more accurately for 2022/2023 before the school year started. Further, with a continually improving financial picture, the State was able to pass a supplemental appropriation, providing additional resources for the 2023 fiscal year as well as some financial reserves for the School Aid Fund. Fiscal year 2023's funding process once again showcases the need for careful planning to ensure any new funding is carefully utilized. A few key elements impacting 2022/2023 include the following:

- **2022/2023 Foundation Allowance:** All school districts are at the target foundation allowance of $9,150 except for the few hold harmless districts.

- **Pupil Membership Blend for 2022/2023:** Pupil count determinations use the 90 percent of the fall 2022 count and 10 percent of the spring 2022 count. The computed pupil count was used to determine the total foundation allowance paid to the School District.

- **MPSERS Cost for 2022/2023:** The basic structure continued, including cost support provided by the School Aid Fund. For 2023, the overall contribution rate increased to 45 percent of payroll from 43 percent, with the net cost to the School District continuing at up to approximately 28 percent. While the net cost to the School District is essentially the same as in 2022, the overall contribution rate continues to increase. By way of comparison, when Proposal A was adopted, the total contribution rate was 11 percent. The implication is that more resources are redirected from the funding of operations to the support of the retirement system funding requirement. The 2022/2023 amendments to the State Aid Act further increased investment in the retirement system, with the goal of reducing the overall cost of the program over time. The State's recurring funding support is provided in three separate sections of the State Aid Act: Sections 147a, 147c, and 147e. Total funding received by the School District was composed of $380,680 in 147a(1), $634,739 in 147a(2), $5,505,189 in 147c(1), and $208,620 in 147e.

- **One-time Retirement System Contribution:** With additional resources available in the School Aid Fund, in addition to the recurring funding discussed above, a one-time $1 billion contribution was made to the MPSERS retirement system. This contribution was made with the goal of lowering the future cost, and ultimately the contribution requirements from school districts, of the retirement system. The contribution was provided ultimately to MPSERS via participating school districts. School districts received the funding as a Section 147c(2) categorical payment from the State and then were required to deposit the same amount with the retirement system. The amount allocated to the School District was $3,206,156. Accounting rules require that the categorical payment be recorded as revenue and the contribution as an expenditure. The impact is that there will be an unusual, large, one-time event recorded as a revenue and an expenditure in the School District's June 30, 2023 financial statements. There was no impact to fund balance.

- **Special Education Services:** Beginning in the 2021/2022 fiscal year, the State increased the funding of its share of special education costs by 3 percent of those costs. In 2022/2023, that support continued, plus it reduced the amount of foundation allowance that is credited as payment against the State's required support. In 2023/2024, use of the foundation allowance to contribute to the State's support of special education was concluded, and the State's contribution to support special education is paid entirely from a categorical allocation. These changes in the funding formula will have the effect of providing more state support to cover the cost of special education operations. The implication to the School District will be that more funds will be freed up to support other general education activities. The actual amount of the shift varies by district and requires some analysis. Once determined, school districts will be better able to budget and plan for use of those funds.

- **New Initiatives for 2022/2023:** There were several new initiatives included in the 2022/2023 amendments to the State Aid Act. Since the revenue projections were well above expectations, there was room for funding most of the priorities from both branches of government. Many of the initiatives result from common themes, including the pandemic, mental health concerns of students and staff, addressing the teacher shortage, school security, continuing investment in preschool, vocational/career training, and beginning to focus on educational infrastructure investment. Many of these initiatives were carried forward and continued in the 2023/2024 amendments to the State Aid Act. These initiatives required assessment and planning by individual school districts. With new resources comes new responsibility to determine the most effective way to leverage these funds for the benefit of the students, staff, and the School District. The same challenges exist as districts assess the content of the 2023/2024 amendments to the State Aid Act.

- **Pupil Count Trends:** During the pandemic, most public schools across Michigan experienced a decline in enrollment. Statewide enrollment has historically been slightly under 1.5 million students. Prior to the pandemic, annual enrollment figures were declining annually at about 10,000 students per year. However, during the pandemic, statewide enrollment decreased in excess of 50,000 students. As part of the Consensus Revenue Estimating Conference process, total enrollment is tracked and estimated. A key consideration in the projections continues to be to what extent the 50,000 student reduction will recover. Current data suggests that some portion returned as the rate of decline slowed, but enrollment will not recover to pre-pandemic levels. While this data is important statewide, it is very important at the local district level. Since the foundation allowance is computed on a per pupil basis, a stable and predictable enrollment will have a substantial impact on the financial picture. As a practical example, on average, it takes about 10 students to fully fund a teacher position. As districts continue to operate in the post-pandemic period, continued focus on recruiting and retaining students and families will be essential to improving student enrollment.

Looking Forward to 2024 and Beyond

The May 2023 Consensus Revenue Estimating Conference provided a look into 2024, 2025, and 2026. There is a substantial surplus in 2023 to carry over to 2024, but the surplus is significantly reduced in 2024 with several one-time payments. However, 2025 is projected to return to a significant surplus once the one-time payments are removed from the analysis. The significant revenue influx and projected revenue levels expected through 2025 have provided an unusual opportunity for school funding in Michigan. This is especially significant since federal pandemic funding is nearing its end. The results of the May 2023 Consensus Revenue Estimating Conference suggest that the State will have significant resources to invest in public education funded through the School Aid Fund, as well as other programs funded through the State's General Fund. While optimism is high for the state budget, the two key matters that could negatively impact the financial picture are inflation and the potential for recession. The 5 percent increase in the 2023/2024 foundation mirrors the same increase in 2022/2023 and is at a higher rate than ever seen under Proposal A. However, inflation pressures, while improving, remain at higher levels and have a significant impact on operating costs for districts. Similarly, while the likelihood for a recession appears to be lowering, if it were to occur, it will likely negatively impact future revenue projections, limiting the potential to fund future school district operations. Balancing such factors when planning future budgets will be essential for sound financial management.

The strong fiscal outlook for the School Aid Fund comes as education-focused, pandemic-related federal funding is coming to a close. Many districts received a substantial federal ESSER III allocation and will need to conclude the use of these one-time funds by September 30, 2024. This period has been labeled the federal funding cliff. This is because, once these resources have concluded, the district will need to assess if other resources will be allocated to continue any programs or activities that were paid for using the pandemic-related funding. These funding factors place a high degree of need for school districts to carefully plan budgets and spending priorities. Choosing how best to manage needs and priorities will be a continuing challenge. Factors to consider as we look into the future include the following:

- The impact of a recession on school funding, if it were to occur
- How best to use the ESSER III allocation without negatively impacting future operations and what state resources may be used to offset any negative impact
- Staff retention and recruitment, including use of novel approaches, some of which are funded by state categoricals
- Continued efforts at attracting and retaining students to the School District
- Pupil count trends and projections for school districts and school buildings to better plan staffing, infrastructure, and operational needs
- Continuing commitment to address learning loss, including funding of programs once pandemic-related funding is concluded
- Planning for potentially expanded preschool services funded under an expanded GSRP
- Revising food service operations in light of the new state-funded free breakfast and lunch program
- Potential staffing cost increases
- Operating cost increases resulting from inflation
- Technology cost increases and access to technology learning tools
- Costs for school security and mental health services

- Identifying, recruiting, and retaining staff to provide mental health and school security services

- Cost trends for the retirement system and the extent to which state support is used from the School Aid Fund

The next Consensus Revenue Estimating Conference will occur in January 2024. As districts move into the 2023/2024 school year, they will need to carefully plan for how best to use the significant resources that have been provided during this unusual time in our school funding history.

Michigan School Meals

For the first time, beginning in the 2023/2024 school year, a free breakfast and lunch will be available to all students in Michigan schools. This program, initiated with the 2023/2024 amendments to the State Aid Act, provides state-funded meals to all students who do not qualify for a free meal under the National School Lunch and National School Breakfast programs. The Michigan Department of Education issued guidance for districts to apply for participation beginning with the 2023/2024 school year. Some key observations include the following:

- Participation is not automatic. Districts must apply using the 2024 Coordinated Application in the State's NexSys system.

- For a district to be eligible to participate, it must do the following:

  - Be a public school, charter school, or intermediate school district

  - Participate in the National School Lunch Program

  - Serve breakfast and lunch

  - Serve all meals at no cost to pre-K through 12th grade students

  - Adopt Community Eligibility Provision (CEP) to maximize federal reimbursement. Note that not all schools qualify for this provision under the federal program. If a district qualifies, the meals will be funded using that federal program, and the state program is not needed.

  - Collect relevant family income information

  - Write off all outstanding student negative balances

- The program is designed to work alongside and supplement the current federal National School Lunch and National School Breakfast programs and not replace them.

- Districts will need to track and claim meals served similar to what is done for the federal programs.

- As noted above, districts must eliminate negative student account balances. In doing so, the Food Service Fund is not allowed to absorb the write-off. That removal requires funding from sources outside the Food Service Fund. The MDE has developed guidance for how this should be accomplished.

During the pandemic, free breakfast and lunch were made available to essentially all students. The program was paid for with federal funds. During this period, schools experienced a significant increase in meals served. With this new initiative, the potential for high participation rates is likely. This will require districts to plan for the increased demand on food service operations, including staffing levels, timing of meals, cafeteria seating, menu planning, and food orders. Additionally, effective communication channels will be needed to inform students and families of the program and to gain the needed paperwork to document participation from a segment of the student body where such data has not been requested previously.

As with other initiatives included in the new school funding bill, careful planning will be essential for an effective rollout of the program.

Grants Management

Grants have always been a substantive area in school operations. Typical federal programs seen in most districts include Title I, Special Education, and Child Nutrition. These and other programs continue to be important and require significant skill, attention, and time to account for and adequately deploy those resources. With the advent of the pandemic, programs such as ESSER, GEER, and CRF have infused significant new federal resources into the School District. In addition, primarily through supplemental appropriations, the State has provided additional funding focused on pandemic relief. These events have significantly increased the workload, burden, and grants management risk across the School District. Some examples include the following:

- Superintendents and leadership team - Understanding what resources are available, what is required, how it will be measured, and how it will be staffed or equipped
- Board members - Setting policy in response to the pandemic and approving educational initiatives to respond to learning and operational needs
- Business office - Identifying, tracking, communicating, recording, and reporting on grant-related activities, when, in many cases, the rules and processes are unclear at the onset of the programmatic activity
- Staff - Delivering services in a pandemic-related environment
- Procurement - Identifying, initiating, acquiring, and delivering needed materials and equipment
- Information technology - Establishing and maintaining a safe, secure, and functional system so that learning is delivered and operations are maintained
- Support services - Transitioning from in-person connection to remote to identify and provide needed support services to students and staff
- Facilities - Installing upgrades, managing building access, cleaning, and PPE

Each of these areas has been significantly impacted by the new grants and the expanded grants management process. Clearly, the reach and implications of pandemic-related funding are extensive. With that reach comes a significant challenge for the School District to ensure that resources, processes, and controls are in place. As the School District moves into the 2024 fiscal year, we suggest performing a risk assessment of its key processes and controls. This assessment and related action items can help ensure the School District has the pieces in place for an effective and efficient response to the grants management challenges.

ESSER Prevailing Wage Requirements

Many school districts have determined to utilize ESSER funds on construction. When utilizing federal funding for construction, there are specific guidelines that may apply, such as the prevailing wage requirement. Prevailing wage requirements will apply when a school district utilizes federal funding for remodeling, renovation, repair, or construction contracts over $2,000. The School District must ensure the contract terms include the requirement to comply with prevailing wages, as well as ensure that certified payrolls were completed and subsequently reviewed by the School District.

Budgeting Considerations

The pandemic will have a substantive impact on district budgeting considerations for years to come. This includes both state and federal funding sources. As the additional federal funding is expected to decrease in the coming years, it is imperative that the School District ensure it has sufficient operation funds to move forward.

As we have seen, funding from the School Aid Fund has varied widely over the last three years. Fortunately, School Aid Fund projections suggest funding stability through 2025. However, that stability presumes a continually improving financial picture for the State of Michigan. If assumptions do not hold, there is a risk for continued variability in school funding. Any variability would have a direct impact on funds made available for school operations.

Michigan Public School Employees' Retirement System (MPSERS) - Update on the Plans' Net Pension/OPEB Liabilities

Similar to the State of Michigan, the MPSERS plan has a September 30 year end. With the adoption of GASB Statement Nos. 68 and 75 several years ago, school districts have been reporting their share of the MPSERS plan funded status in the government-wide financial statements of the School District.

At September 30, 2022, the pension portion of the MPSERS plan had a net pension liability of approximately \$37.9 billion. This is an increase of approximately 57 percent from the reported amount of \$24.2 billion on September 30, 2021. One of the primary reasons for the increase in the net liability was net investment losses. The pension plan's annual investment rate of return was 27.2 percent for the year ended September 30, 2021, compared to an investment loss of 4.8 percent for the year ended September 30, 2022.

At September 30, 2022, the retiree health care portion (OPEB) of the MPSERS plan had a net OPEB liability of approximately \$2.1 billion. This is an increase of approximately 40 percent from the reported amount of \$1.5 billion at September 30, 2021. The primary reason for the increase was a 27.2 percent annual investment return for the plan year ended September 30, 2021, as compared to an annual investment loss of 4.8 percent for the year ended September 30, 2022.

Fund Balance

The first year of the pandemic, more than ever, highlighted the importance of having adequate fund balance due to the uncertainty of the state budget and the impact on the foundation allowance with prorations that went into effect. Having sufficient fund balance will help to ensure the School District can continue to provide an adequate level of programming during periods of economic uncertainty.

The 2023/2024 school year will face many challenges that will have a direct effect on the School District's fund balance. The Consumer Price Index (CPI) continues to grow, which will put inflationary pressures on nearly all school districts. Couple that with the budgeting pressures faced with how to spend the COVID-19 relief funds, and business offices will have a lot to consider and plan for when projecting out fund balance for the upcoming school year.

During the 2022/2023 school year, the School District's General Fund revenue exceeded expenditures by approximately \$1,696,000. This resulted in increasing the General Fund fund balance to approximately \$12,444,000 at June 30, 2023. Of the \$12.4 million of fund balance at June 30, 2023, \$0.2 million is considered nonspendable, \$3.0 million has been assigned by the board for use in the 2023/2024 budget, and the remaining \$9.2 million is considered unassigned. Fund balance goals are often stated in terms of a percentage of total expenditures. As a point of reference, the statewide average for school districts at June 30, 2022 was approximately 20.30 percent of expenditures and outgoing transfers. Fund balance at the statewide average would approximately equal the School District's average operating costs for a 10-week period. The School District's fund balance percentage is 18.94 percent and equals approximately 9.85 weeks of operation.

Significant Changes in the Future to the GASB Financial Reporting Model

Under the current Governmental Accounting Standards Board (GASB) standards, school districts have been reporting using the current framework for approximately two decades. While the current financial statement presentation has worked, the GASB is looking to improve its effectiveness for all governments.

This project kicked off in August 2013. An exposure draft was issued in June 2020 titled “Financial Reporting Model Improvements.” The exposure draft comment period ended during February 2021, and, as a firm, Plante & Moran, PLLC provided comments to the GASB on our thoughts of the proposed standards. The GASB’s goal is to have final standards issued by March 2024.

Once adopted by the GASB, these new standards could have a significant impact on the accounting and financial reporting for school districts. Currently, school districts account for activity in the funds using the modified accrual basis of accounting. The exposure drafts argue that, under the current model, there is no sufficient framework that ensures that governmental entities are consistently reporting similar types of transactions in their financial statements. They also argue that the time period looked at for certain transactions in fund accounting is too short and that the current method has too many piecemeal guidance points rather than a conceptual framework against which transactions can be applied in order to determine the correct accounting. Other proposed changes include requiring additional information in the MD&A and a variance column in the budget to actual statement.

While the exposure draft has not yet been revised, it should be noted that, during the June 2023 GASB board meeting, the board tentatively decided to remove all issues related to the reporting of governmental funds from the scope of this proposed new statement. If this change makes its way to the final standard, the scope of this pronouncement would be significantly reduced, and many of the aforementioned impacts of this standard would ultimately not be applicable. We will continue to monitor the status of this proposed new standard and work with your business office to ensure a seamless adoption once a final standard is issued.

A separate but somewhat related project is also ongoing. In June 2020, the GASB released its preliminary views titled “Revenue and Expense Recognition.” The objective of this project is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. When the new standard is issued and adopted, it could result in revenue and expense transactions being reported either earlier or later than they currently are in school district financial statements. The GASB’s current work plan anticipates that this new standard could be issued during 2027.

GASB Statement No. 101 - Compensated Absences

School districts have historically been required to account for certain types of accumulated employee leave time in their financial statements; however, the existing standards were written many years ago, and significant changes have occurred since then related to the various types of compensated absences that exist today. The GASB recently adopted a new pronouncement that addresses the accounting for compensated absences, which include vacation, sick, and other paid leave time. Under GASB 101, the School District will record a compensated absence liability in the full accrual financial statements for leave time that (1) is attributable to services already rendered, (2) accumulates, and (3) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability is to be recorded each reporting period, in the full accrual statements only, using each employee’s pay rate as of the date of the financial statements. The new standard also removes the historic requirement related to disclosing the gross additions and reductions to the compensated absence liability in the financial statements, and, instead, a school district can disclose just the net change during the year. The new standard also removes the previous requirement to disclose which funds are responsible for liquidating compensated absence liabilities as they are paid.

This statement is effective for the School District's year ending June 30, 2025. The School District should begin to review the requirements of this new pronouncement, as it may have an impact on how the School District accounts for its compensated absence liability.

Michigan Department of Treasury - Numbered Letter 2023-1: Bonded Construction Fund and Sinking Fund Reporting Changes

School districts are currently required to comply with the Michigan Department of Treasury's (the "Treasury") Bulletin 7 and Numbered Letter 2004-4 as they relate to the audit and reporting requirements of a bond-funded construction fund and sinking funds. During fiscal year 2023/2024, the Treasury will release Numbered Letter 2023-1, which supersedes Bulletin 7 and Numbered Letter 2004-4. Plante & Moran, PLLC participated in reviewing and providing feedback on the exposure draft. The new guidance goes into effect for sinking fund and bond compliance audits that are required to be reported for the June 30, 2024 reporting period. School districts will need to review these changes in order to ensure they are in compliance with these new audit and reporting rules. Some of the primary changes are as follows:

- School districts will no longer submit financial information upon bond closeout to the Department of Treasury. Rather, the Treasury will gather the data it needs from the annual audited financial statements that are already being submitted to the Department of Education. School districts will, however, need to submit an annual transmittal letter to the Treasury that includes notification of status of the bond-funded Capital Projects Fund.

- The determination of the completion date has been simplified. The completion date will always be the June 30 immediately following the later of (1) the certificate of substantial completion or (2) 95 percent of the bond proceeds being spent. It will then be expected that the auditor completes its work in conjunction with the submission of the School District's audited financial statements.

- For bonds with multiple series, if the series being audited are for projects that were all approved by the electors at the same time, the audit closeout reporting can occur at the end of the final bond issue of the series. Approval is no longer required from the Treasury when taking this approach.

- The activity associated with any sinking fund levies renewed after May 7, 2023 should be accounted for in a capital projects fund that is separate from any remaining fund balance associated with levies authorized prior to May 7, 2023. This could potentially result in a situation where the School District may need to create a separate capital projects fund to account for activity associated with levies authorized after May 7, 2023 if the School District has not yet spent all of the fund balance associated with levies authorized prior to May 7, 2023.

Bond Investment Earnings - Arbitrage Considerations

Arbitrage is not a new topic; however, in the current environment of raising interest rates, it is a topic that has recently received more attention. So, what is arbitrage? To summarize, arbitrage is the difference between the interest expense paid by the bond debt issuer (school district) and the earnings on the invested bond proceeds. School districts are tax-exempt organizations and, therefore, subject to federal arbitrage compliance rules. As a result, the School District may be limited to the amount of investment earnings that it is allowed to retain. The arbitrage calculations are quite complex, and the School District should work with its bond advisor to ensure this computation is completed on a recurring basis. Generally, at the five-year anniversary of the original bond sale, a computation is also completed and used to report to the federal government any investment earnings in excess of what is allowed to be retained and is generally due back to the federal government (Internal Revenue Service). The annual arbitrage calculations are also utilized to determine if the School District should report an arbitrage liability at June 30 in the full accrual set of financial statements.

Inflation Reduction Act (IRA)

The Inflation Reduction Act was signed into law on August 16, 2022. Among other items, the IRA allocated $369 billion over the next 10 years to fund energy and climate projects in an attempt to reduce emissions by approximately 40 percent by 2030. One of the components of the IRA is the availability of a direct-payment option, in lieu of a nonrefundable tax credit, to tax-exempt entities, including governmental entities like the School District, to reimburse the entity for a portion of the cost of qualifying capital improvements. The IRA provides a new opportunity to tax-exempt entities to reduce the cost of eligible projects while also enhancing an organization's sustainability efforts and reducing carbon footprint. For school districts, capital expenditures that may qualify include the purchase of certain electric vehicles and the installation of equipment that generates renewable energy (such as solar panels). As many of the program details are still being worked out, we will continue to keep the School District informed regarding future developments.

Understanding and Managing Potential Threats to Your Data

Education continues to be one of the top targets for ransomware attacks. Legislation called the K-12 Cybersecurity Act of 2021 was signed into law in October 2021 in recognition of the significant risk to school districts.

Working remotely during the pandemic has led to a global rise in cyberattacks. School districts quickly shifted to remote learning; in so doing, security controls may have been relaxed. In today's age of continual reports of cyberattacks, school districts need to be aware of where potential risks lie and how they are addressed and communicated to employees and the public.

When it comes to cybersecurity, the human element is still the weakest link and most targeted, as passwords like "August2023" can be easily guessed, and emails continue to trick people into clicking links and opening attachments. Information security is a district-wide issue, not just an IT department responsibility, requiring a combination of people, processes, and technology to effectively secure student, employee, and financial data. Now is the time to take a step back and assess exactly where your data is and the controls surrounding it. Key questions to ask include the following:

- Are our teachers and staff appropriately aware of phishing and other cyberattacks?
- Do you know where all of the various data resides in the school district? Are employees storing district data with personally identifiable information (PII) or data that is subject to FERPA on file-sharing sites or flash drives? Is the data being emailed to personal accounts?
- How secure is your data with at least a portion of your students and teachers working remotely?

Having an external party do an assessment on vulnerabilities may provide additional support to the IT team for initiatives it is implementing, providing peace of mind for the board that vulnerabilities have been assessed and addressed and allowing for confident communication to the public that its student and employee data is secure. If you are interested in discussing this further, we would be happy to continue the conversation.

Operations Review and Controls Assessment

Roles and responsibilities have changed for many administrative and operations staff over the past few years due to increased reporting requirements, the pandemic, and reductions in staff count. Staff sizes have been reduced in many districts, while demands for services, technology, and reporting requirements have increased. An operations review can be very helpful to the School District in identifying ways to optimize the resources it has. The School District may benefit from reviewing and redesigning processes to ensure that only value-added steps are included in the process. Process redesign involves mapping current processes (e.g., facilities work orders, purchasing, and payroll) and identifying potential improvements by leveraging technology systems and/or eliminating steps.

When making changes to operations and processes, it is important for the proper controls to be implemented or remain in place. We have performed numerous reviews for school districts regarding the staffing, functions, responsibilities, controls, and communication within the business office, human resources, and facilities and operations to provide suggestions for increased efficiency, operational effectiveness, and/or improved reporting and analysis capabilities. We would be happy to discuss our capabilities in this area and the value we can bring to the process.

IT Assessment and Planning

Much of teaching and learning today is predicated on reliable, robust, and secure technology, as well as an effective IT support function. The pandemic was very disruptive, including from a technology perspective. In the span of a few months, the use of technology in teaching and learning shifted dramatically, with greater mobility, learning on demand, and an increase in 1-to-1 initiatives. Cybersecurity threats increased at the same time support requirements expanded. Even though the majority of students have returned to face-to-face learning, the School District's IT support requirements have changed.

This may be a good time to consider an IT assessment that reviews information technology from people, process, and technical perspectives. Areas of focus include governance, IT staff and organization, use of external service providers, service delivery, network and device management and monitoring, cybersecurity policies and procedures, and the technology itself. An IT assessment provides an objective evaluation of current operations, with an actionable plan for improvements and enhancements. Many districts use the results of an IT assessment as their action plan for the next two to three years. We would be happy to discuss how we can help.

Planning for the Future with Pupil Enrollment Projections

In the course of our review, we noted that the School District is assessing its capital needs in preparation for planning a potential bond or sinking fund. Because districts rely heavily on student enrollment to determine funding, define future academic offerings, and make facility decisions, we recommend the School District conduct a pupil enrollment projection annually. Detailed projections allow your school board to create financial models and understand current and projected facility needs to accommodate the student population.

To the extent it would be helpful, we would be happy to introduce Plante & Moran, PLLC's real estate consulting team, Plante Moran Cresa, one of four authorized enrollment projection service providers in the state of Michigan. The team has developed a projection model that has proven to be more than 99 percent accurate in helping districts predict enrollment for years into the future. It can conduct projections for the entire district or focus solely on specific buildings, grades, or areas.