



**NORTH ADAMS-JEROME PUBLIC SCHOOLS  
HILLSDALE COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
North Adams-Jerome Public Schools  
North Adams, Michigan

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Adams-Jerome Public Schools (the "School") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School'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's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

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

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

### ***Supplementary Information***

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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's internal control over financial reporting and compliance.



Gabridge & Company, PLC  
Grand Rapids, MI  
October 14, 2022

## **Management's Discussion and Analysis**

**North Adams-Jerome Public Schools  
Management's Discussion and Analysis  
June 30, 2022**

This section of the North Adams-Jerome Public Schools (the "School District"), Hillsdale County, Michigan's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2022. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2022.

**FINANCIAL HIGHLIGHTS**

- For fiscal year ended June 30, 2022, the Board of Education adopted a final general fund budget with a projected decrease in fund balance of \$84,072. The actual results of operation in the general fund showed that actual expenditures and other financing uses were approximately \$591,076 less than the final general fund budget and that actual revenues and other financing sources were approximately \$425,702 less than the final general fund budget leading to an increase in fund balance of \$81,302 for the year.
- At June 30, 2022 the total net position was a deficit of \$(2,482,156) of which \$(4,415,206) was unrestricted fund position. The deficit unrestricted and total net position is largely due to the School District's net pension liability and net OPEB liability.
- The governmental activities total net position increased \$362,870 from \$(2,845,026) in 2021 to \$(2,482,156) in 2022. Refer to the District-wide Financial Statements – Change in Net Position for Fiscal Year Ended June 30, 2022 and June 30, 2021 for explanations regarding the net position increase.

**USING THE ANNUAL FINANCIAL REPORT**

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

The first two basic statements are district-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.

The remaining basic financial statements are fund financial statements that focus on individual parts of the School District, reporting the School District's operations in more detail than the district-wide statements. The governmental statements tell how general School District services were financed in the short-term as well as what remains for future spending. They are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the financial statements.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **District-wide Financial Statements**

The District-wide financial statements appear first in the financial report. These financial statements include the statement of net position and the statement of activities. They report information about the School District as a whole. The statements are prepared using the accrual basis of accounting which is the accounting basis used by most private sector businesses. The statement of net position includes all of the School District's assets, deferred inflows and outflows, and liabilities. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the School District that include all services performed by the School District, including but not limited to instruction, support services, food services, athletics, debt service, and capital projects. These activities are funded mostly by state aid as determined by pupil counts, federal and state grants, and local property taxes.

The statement of net position shows the School District's assets, deferred inflows and outflows, and liabilities. The corresponding balance between the amounts calculates the net position or deficit of the School District. A deficit occurs when there are more liabilities and deferred inflows than there are assets and deferred outflows to pay those liabilities. This statement measures the financial strength of the School District; in general the greater the net position figure, the healthier the School District. This shows if the School District will be able to fund their current obligations and what they have available for future use.

The statement of activities shows the current year change in net position on a "revenue less expense" basis. It generally displays the operating results for a given year of the School District. Any excess of revenues over expenses results in a surplus for the year that in turn increases the net position (or reduces a deficit) available to fund future needs of the School District. Any deficiency of revenues over expenses results in a deficit for the year that in turn reduces the net position (or increases a deficit) of the School District.

### **Fund Financial Statements**

The School District's fund financial statements presents detail of funds that are determined to be significant, called major funds. The School District reports one major fund, the general fund, which is the School District's operating fund. All other funds of the School District are considered nonmajor and are reported as one column. Separate funds are often required to be set up and separately recorded due to state or federal statutes or other contractual agreements. The School District may also choose to set up separate funds to better control and track certain monies. All of the School District's services are reported in governmental fund types. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Resources are allocated to and accounted for in



individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The School District has four nonmajor governmental funds. The student activity fund, which accounts for resources related to student activities within the School District. The sinking fund, which serves as a capital projects fund to account for future building and site repairs and maintenance. The food services fund, which accounts for the breakfast and hot lunch programs, is a special revenue fund. The School District reports one other nonmajor fund, the debt service fund. The debt service fund is used to account for resources collected for, and payments made against, retirement of the School District's long-term debt. Beginning with the year ended June 30, 2012, the School District reports the athletic fund as part of the general fund due to the implementation of Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions."

Governmental funds are accounted for by using an accounting method called modified accrual accounting (flow of current resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show detail of operations for a given year according to this method of accounting. The individual fund statement helps determine what financial resources are available on a short-term basis to fund operations.

Since the district-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The table on the following page shows the June 30, 2022 and 2021 statements of net position.

## North Adams-Jerome Public Schools' Net Position

	2022	2021
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Investments	\$ 1,153,394	\$ 1,338,335
Due from Other Governmental Units	753,448	618,509
Other Receivables	740	3,570
Inventories and Prepaid Expenses	44,291	18,428
<b>Total Current Assets</b>	1,951,873	1,978,842
<i>Noncurrent Assets</i>		
Capital Assets, Net	2,033,453	1,789,106
<b>Total Assets</b>	3,985,326	3,767,948
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	1,491,924	1,282,625
OPEB Related	625,365	484,952
<b>Total Deferred Outflows of Resources</b>	2,117,289	1,767,577
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	177,403	104,817
Payroll Liabilities	405,216	310,578
Unearned Revenue	65,834	13,085
State Aid Anticipation Loan	602,633	905,400
Current Portion of Long-term Debt	84,279	-
<b>Total Current Liabilities</b>	1,335,365	1,333,880
<i>Noncurrent Liabilities</i>		
Long-term Debt	139,377	-
Compensated Absences	-	19,748
Net Pension Liability	4,276,779	5,445,829
Net OPEB Liability	292,765	870,322
<b>Total Liabilities</b>	6,044,286	7,669,779
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	1,426,018	43,202
OPEB Related	1,114,467	667,570
<b>Total Deferred Inflows of Resources</b>	2,540,485	710,772
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,809,797	1,789,106
Restricted	123,253	70,051
Unrestricted	(4,415,206)	(4,704,183)
<b>Total Net Position</b>	\$ (2,482,156)	\$ (2,845,026)

Cash and investments decreased by \$184,941 being similar to the decrease in short-term borrowing of \$302,767 offset by the increase in governmental fund balances of \$55,825. Due from other

governmental units increased by \$134,939 as a result of an increase in state and federal funding. As a result of better market conditions, pension assets and OPEB assets each earned 27% during the most recent actuarial valuation. This resulted in a decrease in net pension liability of \$1,169,050, an increase in deferred outflows related to the pension of \$209,299, and an increase in deferred inflows related to the pension of \$1,382,816. Similarly, this resulted in a decrease in net OPEB liability of \$577,557, an increase in deferred outflows related to the OPEB of \$140,413, and an increase in deferred inflows related to the OPEB of \$446,897.

The results of operations for the School District as a whole are reported in the Change in Net Position table below. This statement shows the changes in net position for the fiscal years ended June 30, 2022 and 2021.

### North Adams-Jerome Public Schools' Changes in Net Position

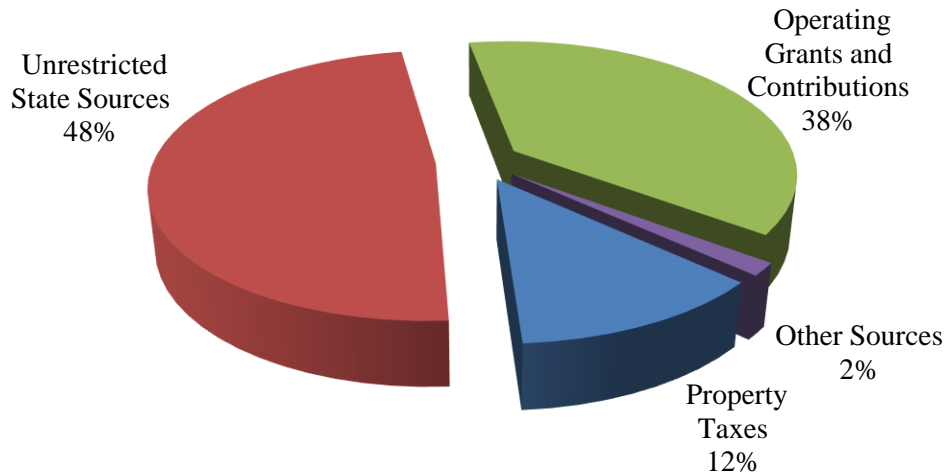
	2022	2021
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 84,763	\$ 68,551
Operating Grants and Contributions	2,118,993	1,273,723
<b><i>Total Program Revenues</i></b>	<b>2,203,756</b>	<b>1,342,274</b>
<b>General Revenues</b>		
Property Taxes	691,317	516,130
Unrestricted State Sources	2,712,407	2,393,600
Interest and Investment Earnings	1,115	2,414
<b><i>Total General Revenues</i></b>	<b>3,404,839</b>	<b>2,912,144</b>
<b><i>Total Revenues</i></b>	<b>5,608,595</b>	<b>4,254,418</b>
<b>Expenses</b>		
Instruction	2,435,956	2,242,186
Supporting Services	2,353,497	1,629,139
Food Service Activities	299,620	209,479
Building and Site Improvements	-	78,888
Interest on Long-term Debt	-	5,400
Depreciation (Unallocated)	156,652	88,336
<b><i>Total Expenses</i></b>	<b>5,245,725</b>	<b>4,253,428</b>
<b><i>Change in Net Position</i></b>	<b>362,870</b>	<b>990</b>
<i>Net Position at Beginning of Period</i>	<i>(2,845,026)</i>	<i>(2,846,016)</i>
<b><i>Net Position at End of Period</i></b>	<b>\$ (2,482,156)</b>	<b>\$ (2,845,026)</b>

The School District had an overall increase in net position of \$362,870 for the year ended June 30, 2022. Operating grants and contributions increased \$845,270 as the School District received restricted COVID-19 grant funding. Property taxes increased by \$175,187 as the School District's taxable value increased. An increase in overall foundation allowance and pupil count resulted in an increase in unrestricted state aid of \$318,807.

Changes within expenses for the School District were largely caused by the changes in net pension liability, net OPEB liability, and their related deferrals. Additionally, the resumption of operations led to an increase in grant-related expenses.

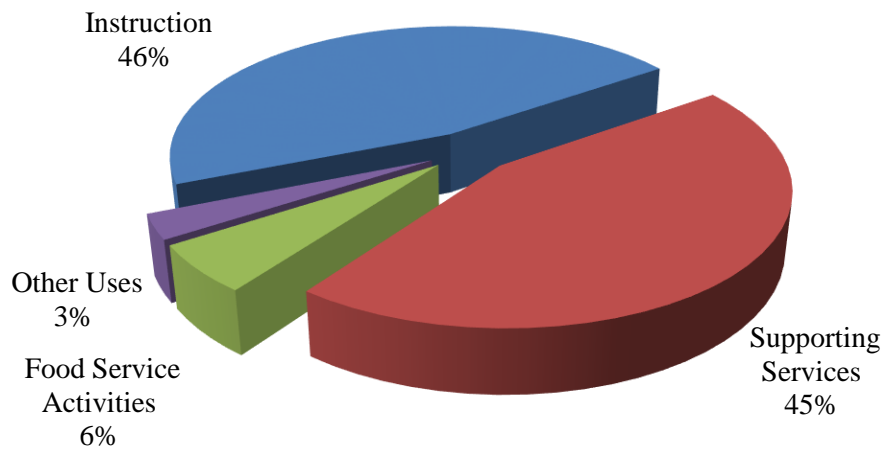
The following chart summarizes the major revenue sources for the governmental activities of the School District for the most recent fiscal year-end:

### Governmental Activities Revenues



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

### Governmental Activities Expenses



## FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

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

The *general fund* is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$486,820. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 9.5% of total general fund expenditures and transfers out.

The fund balance of the School District's general fund increased by \$81,302 for a total fund balance of \$528,891. Significant increases for revenues were within state and federal sources as a result of increased unrestricted state aid and increased restricted COVID-19 funding. Significant increases for expenditures were a result of increased basic needs and instructional staff expenditures.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations. The initial budget for the year ended June 30, 2022, was adopted by the Board of Education in June 2021, with the final amendments made in June 2022.

*Original budget compared to final budget.* The original budget was amended during the year as actual results needed adjusting from the original budgeted estimates. The original budgeted amounts for state sources revenue increased from \$3,330,633 to \$3,681,967 and for federal sources revenue increased from \$407,511 to \$1,318,686 as the School District expected an increase in COVID-19 related funding and the resumption to normal operations.

*Final budget compared to actual results.* The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2022.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2022, the School District had \$2,033,453 invested in capital assets. This was a net increase of \$244,347 from the prior year, comprising of capital asset additions of \$400,999 and depreciation expense of \$156,652. The following table represents the School Districts investment in capital assets:

Land	\$ 12,000
Construction in Progress	107,253
Buildings and Improvements	4,440,375
Equipment and Vehicles	540,174
Intangible Right to use - Bus Leases	293,746
Subtotal	<u>5,393,548</u>
Accumulated Depreciation/Amortization	<u>(3,360,095)</u>
<i>Net Capital Assets</i>	<u>\$ 2,033,453</u>

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

### **Long-term Debt**

At year-end, the School District had total long-term obligations of \$223,656. The State allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District's boundaries. The School District is under this limit by a considerable amount.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

There are five basic financial considerations as the School District prepares itself for the future:

**General Economy:** The District as being close to the southern border has a transient family population. Families are locating "out-of state" in search of a more productive job market. This coupled with families locating elsewhere within the state creates a reflected loss in student enrollment.

**School of Choice:** The issue of school of choice has been controversial at the least. The bottom line is that a snapshot of student enrollment may change on a daily basis due to the ability of families to enroll in their school of choice. The superintendents have tried to mitigate this by staying within the designated parameters; however, the financial consideration has led to a competitive marketplace.

**In-district Enrollment:** The District for the present year, and predicted for the next several, is faced with the graduating class as being larger than the incoming kindergarten class. This creates an automatic deficit in student count, leading to the reduction in funding through the state per-pupil formula process.

**Federal Grants:** The District benefitted for several years through federal grant allocations such as the "Educational Job Fund". As these are withdrawn, the District needs to supplement these funds or reduce expenditures accordingly.

**General Conclusion:** The North Adams-Jerome Public Schools like many smaller rural districts are feeling a squeeze between community desires and expectation for continuation, and the economy-driven consideration of downsizing. If the District is to maintain and even grow, it will be required to re-invent many of the processes for offering services, academically, and administratively. The need to consolidate services, such as financial, is paramount to this.

## **REQUESTS FOR INFORMATION**

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

North Adams-Jerome Public Schools  
4555 Knowles Road  
North Adams, MI 49262  
Ph | (517) 287-4214

## **Basic Financial Statements**



**North Adams-Jerome Public Schools**  
**Statement of Net Position**  
**June 30, 2022**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and Investments	\$ 1,153,394
Due from Other Governmental Units	753,448
Other Receivables	740
Inventories	3,072
Prepaid Items	41,219
<b>Total Current Assets</b>	<b>1,951,873</b>
<i>Noncurrent Assets</i>	
Capital Assets not being Depreciated	119,253
Capital Assets being Depreciated	1,914,200
<b>Total Assets</b>	<b>3,985,326</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related	1,491,924
OPEB Related	625,365
<b>Total Deferred Outflows of Resources</b>	<b>2,117,289</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts Payable	177,403
Payroll Liabilities	405,216
Unearned Revenue	65,834
State Aid Anticipation Loan	602,633
Current Portion of Long-term Debt	84,279
<b>Total Current Liabilities</b>	<b>1,335,365</b>
<i>Noncurrent Liabilities</i>	
Long-term Debt	139,377
Net Pension Liability	4,276,779
Net OPEB Liability	292,765
<b>Total Liabilities</b>	<b>6,044,286</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Related	1,426,018
OPEB Related	1,114,467
<b>Total Deferred Inflows of Resources</b>	<b>2,540,485</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,809,797
<i>Restricted for:</i>	
Sinking Fund	62,631
Food Service	60,622
<i>Unrestricted</i>	(4,415,206)
<b>Total Net Position</b>	<b>\$ (2,482,156)</b>

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

**North Adams-Jerome Public Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Governmental Activities:</b>					
Instruction	\$ 2,435,956	\$ --	\$ 1,168,047	\$ --	\$ (1,267,909)
Supporting Services	2,353,497	77,999	667,561	--	(1,607,937)
Food Service Activities	299,620	6,764	283,385	--	(9,471)
Depreciation (Unallocated)	156,652	--	--	--	(156,652)
<b>Total Governmental Activities</b>	<b>\$ 5,245,725</b>	<b>\$ 84,763</b>	<b>\$ 2,118,993</b>	<b>\$ --</b>	<b>(3,041,969)</b>
<b>General Purpose Revenues:</b>					
					2,712,407
					591,256
					100,061
					1,115
					<b>3,404,839</b>
					<b>362,870</b>
					(2,845,026)
					<b>\$ (2,482,156)</b>

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

**North Adams-Jerome Public Schools**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Investments	\$ 973,798	\$ 179,596	\$ 1,153,394
Due from Other Governmental Units	747,560	5,888	753,448
Other Receivables	740	--	740
Inventories	--	3,072	3,072
Prepaid Items	38,800	2,419	41,219
Due from Other Funds	1,896	--	1,896
<i><b>Total Assets</b></i>	<b><u>\$ 1,762,794</u></b>	<b><u>\$ 190,975</u></b>	<b><u>\$ 1,953,769</u></b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 175,617	\$ 1,786	\$ 177,403
Payroll Liabilities	398,010	7,206	405,216
Unearned Revenue	57,643	8,191	65,834
State Aid Anticipation Loan	602,633	--	602,633
Due to Other Funds	--	1,896	1,896
<i><b>Total Liabilities</b></i>	<b><u>1,233,903</u></b>	<b><u>19,079</u></b>	<b><u>1,252,982</u></b>
<b>FUND BALANCE</b>			
Nonspendable	38,800	5,491	44,291
Restricted	--	117,762	117,762
Committed	--	48,643	48,643
Assigned	3,271	--	3,271
Unassigned	486,820	--	486,820
<i><b>Total Fund Balance</b></i>	<b><u>528,891</u></b>	<b><u>171,896</u></b>	<b><u>700,787</u></b>
<i><b>Total Liabilities and Fund Balance</b></i>	<b><u>\$ 1,762,794</u></b>	<b><u>\$ 190,975</u></b>	<b><u>\$ 1,953,769</u></b>

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

**North Adams-Jerome Public Schools**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2022**

Total Fund Balance - Governmental Funds	\$ 700,787
General government capital assets of \$5,393,548, net of accumulated depreciation of \$3,360,095, are not financial resources and, accordingly, are not reported in the funds.	2,033,453
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(4,210,873)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(781,867)
Long-term liabilities, including lease obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(223,656)
<b>Total Net Position - Governmental Activities</b>	<b>\$ <u>(2,482,156)</u></b>

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

**North Adams-Jerome Public Schools**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property Taxes	\$ 591,256	\$ 100,061	\$ 691,317
Other Local Sources	20,047	51,758	71,805
State Sources	3,626,766	14,946	3,641,712
Federal Sources	915,726	268,439	1,184,165
Other Sources	19,596	--	19,596
<b><i>Total Revenues</i></b>	<b><u>5,173,391</u></b>	<b><u>435,204</u></b>	<b><u>5,608,595</u></b>
<b>Expenditures</b>			
Instruction	2,629,450	--	2,629,450
Supporting Services	2,468,396	45,766	2,514,162
Food Service Activities	--	310,177	310,177
Building and Site Improvements	--	98,981	98,981
Capital Outlay	--	293,746	293,746
<b><i>Total Expenditures</i></b>	<b><u>5,097,846</u></b>	<b><u>748,670</u></b>	<b><u>5,846,516</u></b>
<b><i>Excess of Revenues Over (Under) Expenditures</i></b>	<b><u>75,545</u></b>	<b><u>(313,466)</u></b>	<b><u>(237,921)</u></b>
<b>Other Financing Sources (Uses)</b>			
Leases	--	293,746	293,746
Transfers In	8,567	2,810	11,377
Transfers Out	(2,810)	(8,567)	(11,377)
<b><i>Net Other Financing Sources (Uses)</i></b>	<b><u>5,757</u></b>	<b><u>287,989</u></b>	<b><u>293,746</u></b>
<b><i>Net Change in Fund Balance</i></b>	<b><u>81,302</u></b>	<b><u>(25,477)</u></b>	<b><u>55,825</u></b>
<i>Fund Balance at Beginning of Period</i>	447,589	197,373	644,962
<b><i>Fund Balance at End of Period</i></b>	<b><u>\$ 528,891</u></b>	<b><u>\$ 171,896</u></b>	<b><u>\$ 700,787</u></b>

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

**North Adams-Jerome Public Schools**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2022**

Total Net Change in Fund Balances - Governmental Funds	\$	55,825
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the capital outlay expenditures of \$400,999 which exceed current year depreciation expense of \$156,652.</p>		
		244,347
<p>Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		19,748
<p>The statement of activities reports the changes in net pension liability and pension related deferrals as pension expense. However, the expenditures recorded on the governmental funds equals actual pension contributions.</p>		
		(4,467)
<p>The statement of activities reports the changes in net OPEB liability and OPEB related deferrals as OPEB expense. However, the expenditures recorded on the governmental funds equals actual OPEB contributions.</p>		
		271,073
<p>The issuance of long-term debt (e.g., bonds or leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.</p>		
		(223,656)
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>362,870</u></b>

## **Notes to the Financial Statements**

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of North Adams-Jerome Public Schools, Hillsdale County, Michigan (the “School District” or “government”) have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

#### **Reporting Entity**

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

#### **Basis of Presentation**

##### *District-wide and Fund Financial Statements*

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements.

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



# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

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

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

The School District reports the following major fund:

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

Additionally, the School District typically reports the following fund types:

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

**Debt service funds** - are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, and leases) principal, interest, and related costs.

**Sinking fund** - accounts for the accumulation and disbursement of resources for the construction of capital projects.

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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### ***Budgets and Budgetary Accounting***

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The School District also prepares budgets for its capital project and debt service funds. The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

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

Appropriations lapse at year-end and amounts may be reappropriated for expenditures to be incurred in the following fiscal year.

### ***Property Taxes***

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2021 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues. Property taxes are levied July 1 on the assessed valuation of property located within the School District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the School District and are equalized by the State of Michigan.

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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

#### ***Cash and Cash Equivalents***

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

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

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

#### ***Investments***

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

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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### ***Receivables and Payables***

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

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

### ***Inventories and Prepaid Expenditures***

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of food commodities and related supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### ***Capital Assets***

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

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

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

	<u>Years</u>
Buildings and Improvements	20 - 50
Equipment and Vehicles	5 - 20

### ***Pension***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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

### ***Postemployment Benefits Other Than Pensions***

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

### ***Deferred Outflows of Resources***

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

### ***Deferred Inflows of Resources***

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

### ***Unearned Revenues***

The unexpended balance of various federal and / or state categorical and local grants is carried forward as an unearned revenue until the period in which eligible expenditures are incurred.

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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### ***Short-term Obligations***

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year, the School District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due in the following year, and anticipated state aid is expected to be sufficient to cover this commitment.

### ***Salaries Payable and Accrued Employee Benefits***

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

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

### ***Compensated Absences***

School District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave accumulate from year to year at varying rates, depending on the employees' applicable rate of pay and/or employment category. The liability for compensated absences includes salary-related payments.

In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the district-wide financial statements.

### ***Long-term Obligations***

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payable are reported at the total amount of bonds issued.

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

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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### ***Net Position Flow Assumption***

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

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

### ***Fund Balance Flow Assumptions***

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

### ***Fund Balance Policies***

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

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

Amounts in the *assigned fund balance* classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can assign fund balance as it does when appropriating fund balance to cover a gap

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

### ***Interfund Activity***

Outstanding balances between funds are reported as due from/to other funds at year-end.

### ***Use of Estimates***

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

## **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The School District's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the activity level. The approved budgets of the School District for these budgeted funds were also adopted at the activity level.

**Budgetary compliance** – The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2022.

### ***District-wide Deficits***

The School District had an unrestricted net position deficit and a total net position deficit for district-wide activities in the amount of \$(4,415,206) and \$(2,482,156), respectively, as of June 30, 2022. The primary cause for the unrestricted net position deficit is the School District's net pension liability and net OPEB liability.



# North Adams-Jerome Public Schools

## Notes to the Financial Statements

### NOTE 3 - CASH AND INVESTMENTS

The School District maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts.

Following is a reconciliation of deposit and investment balances as of June 30, 2022:

<b>Deposits and Investments</b>	
Checking and Savings Accounts	\$ 1,150,741
Certificate of Deposit (matures in one year)	2,554
Cash on Hand	100
<b>Total Deposits and Investments</b>	<b>\$ 1,153,395</b>

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be returned. State law does not require and the School District does not have a policy for deposit custodial credit risk. As of year-end, \$947,798 of the School District's bank balance of \$1,250,100 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School District believes it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### NOTE 4 - LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2022 were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease Obligations	\$ -	\$ 293,746	\$ 70,090	\$ 223,656	\$ 84,279
Compensated Absences	19,748	-	19,748	-	-
<b>Total</b>	<b>\$ 19,748</b>	<b>\$ 293,746</b>	<b>\$ 89,838</b>	<b>\$ 223,656</b>	<b>\$ 84,279</b>

The compensated absences will be paid by the general fund and food service fund.

#### **2019 Lease Payable**

\$65,060 has been recorded as an intangible right to use lease for a 71-passenger bus. Due to the implementation of GASB Statement No. 87, *Leases*, this lease for bus met the criteria for a lease; thus, requiring it to be recorded by the School District. This asset will be amortized over the lease term of five years since it is shorter than the useful life and the School District is not taking ownership of the bus. There are no residual value guarantees in the lease provisions. The lease will end in July 2026.

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

### ***2020 Lease Payable***

\$111,012 has been recorded as an intangible right to use lease for a 77-passenger bus. Due to the implementation of GASB Statement No. 87, *Leases*, this lease for bus met the criteria for a lease; thus, requiring it to be recorded by the School District. This asset will be amortized over the lease term of five years since it is shorter than the useful life and the School District is not taking ownership of the bus. There are no residual value guarantees in the lease provisions. The lease will end in July 2024.

### ***2020 Lease Payable***

\$117,674 has been recorded as an intangible right to use lease for a 77-passenger bus. Due to the implementation of GASB Statement No. 87, *Leases*, this lease for bus met the criteria for a lease; thus, requiring it to be recorded by the School District. This asset will be amortized over the lease term of five years since it is shorter than the useful life and the School District is not taking ownership of the bus. There are no residual value guarantees in the lease provisions. The lease will end in July 2024.

A summary of the principal and interest amounts for the remaining leases is as follows:

<b>Fiscal Year</b>				
<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2023	\$ 84,279	\$ 9,631	\$ 93,910	
2024	87,710	6,200	93,910	
2025	49,715	2,387	52,102	
2026	962	63	1,025	
2027	990	35	1,025	
<b>Total</b>	<b>\$ 223,656</b>	<b>\$ 18,316</b>	<b>\$ 241,972</b>	

## North Adams-Jerome Public Schools

### Notes to the Financial Statements

#### NOTE 5 - CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2022 were as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Construction in Progress	-	107,253	-	107,253
<b>Subtotal</b>	<u>12,000</u>	<u>107,253</u>	<u>-</u>	<u>119,253</u>
<b>Capital Assets Being Depreciated</b>				
Buildings and Improvements	4,440,375	-	-	4,440,375
Equipment and Vehicles	540,174	-	-	540,174
Intangible Right to use - Bus Leases	-	293,746	-	293,746
<b>Subtotal</b>	<u>4,980,549</u>	<u>293,746</u>	<u>-</u>	<u>5,274,295</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	(2,796,071)	(73,945)	-	(2,870,016)
Equipment and Vehicles	(407,372)	(14,692)	-	(422,064)
Intangible Right to use - Bus Leases	-	(68,015)	-	(68,015)
<b>Subtotal</b>	<u>(3,203,443)</u>	<u>(156,652)</u>	<u>-</u>	<u>(3,360,095)</u>
<b>Capital Assets Being Depreciated, Net</b>	<u>1,777,106</u>	<u>137,094</u>	<u>-</u>	<u>1,914,200</u>
<b>Capital Assets, Net</b>	<u>\$ 1,789,106</u>	<u>\$ 244,347</u>	<u>\$ -</u>	<u>\$ 2,033,453</u>

Depreciation expense for the fiscal year ended June 30, 2022 amounted to \$156,652. The School District determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

The bus lease amortization is presented as amortization expense on the statement of activities related to the School District's intangible asset of buses, which is included in the above table as intangible right to use - bus leases. With the implementation of Governmental Accounting Standards Board Statement No. 87 *Leases*, a lease meeting the criteria of this Statement requires the lessee to recognize a lease liability and an intangible right to use asset.

#### NOTE 6 - MPSERS PENSION PLAN

##### *Plan Description*

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

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### ***Benefits Provided***

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

### ***Contributions***

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

## North Adams-Jerome Public Schools

### Notes to the Financial Statements

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2021:

Benefit Structure	Member	Non-Universities
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$542,400 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$4,276,779 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.01806 percent, which was an increase of 0.00221 percent from its proportion measured as of September 30, 2020.

For the year ending June 30, 2022, the School District recognized pension expense of \$644,380. At June 30, 2022, 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
Differences between Actual and Expected Experience	\$ 66,249	\$ 25,185
Changes of Assumptions	269,593	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	1,374,971
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	581,839	25,862
Employer Contributions Subsequent to the Measurement Date	574,243	-
<b>Total</b>	<b>\$ 1,491,924</b>	<b>\$ 1,426,018</b>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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

<b>Plan Year Ended</b>		<b>Amount</b>
<b>September 30</b>		
2022	\$	61,504
2023		(77,111)
2024		(183,866)
2025		(308,864)

### *Actuarial Assumptions*

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

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

### Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80% net of investment expenses
- Pension Plus Plan:	6.80% net of investment expenses
- Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

### Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4367
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### *Long-term Expected Return on Plan Assets*

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

## North Adams-Jerome Public Schools

### Notes to the Financial Statements

major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0	9.1
International Equity Pools	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short-term Investment Pools	2.0	(1.3)
<b>Total</b>	<b>100.0%</b>	

\*Long-term rates of return are net of administrative expenses and 2.0% inflation.

#### ***Rate of Return***

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### ***Discount Rate***

A discount rate of 6.80% was used to measure the total pension liability (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**North Adams-Jerome Public Schools**

Notes to the Financial Statements

***Sensitivity of the School District’s proportionate share of the net pension liability to changes in the discount rate***

The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

<b>1% Decrease (Non-Hybrid/Hybrid)</b>	<b>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)</b>	<b>1% Increase (Non-Hybrid/Hybrid)</b>
<b>5.8% / 5.8% / 5.0%</b>	<b>6.8% / 6.8% / 6.0%</b>	<b>7.8% / 7.8% / 7.0%</b>
\$6,114,634	\$4,276,779	\$2,753,076

*\* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.*

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

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**NOTE 7 – MPERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

***Plan Description***

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

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

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

## North Adams-Jerome Public Schools

### Notes to the Financial Statements

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investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### ***Benefits Provided***

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

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

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

#### ***Contributions***

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2021.

<b>Benefit Structure</b>	<b>Member</b>	<b>Non-Universities</b>
Premium Subsidy	3.00%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the School District were \$142,385 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$292,765 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.01918%, which was an increase of 0.00293% from its proportion measured as of October 1, 2020.

For the year ending June 30, 2022, the School District recognized OPEB expense of \$(110,082).

## North Adams-Jerome Public Schools

### Notes to the Financial Statements

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Actual and Expected Experience	\$ -	\$ 835,677
Changes of Assumptions	244,737	36,622
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	220,662
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	248,414	21,506
Employer Contributions Subsequent to the Measurement Date	132,214	-
<b>Total</b>	<b>\$ 625,365</b>	<b>\$ 1,114,467</b>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Plan Year Ended September 30</b>	<b>Amount</b>
2022	\$ (167,108)
2023	(153,970)
2024	(143,969)
2025	(127,838)
2026	(25,135)
Thereafter	(3,296)

#### ***Actuarial Assumptions***

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

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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Additional information as of the latest actuarial valuation follows:

### Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% year 1 graded to 3.5% year 15; 3.0% year 120 Post-65: 5.25% year 1 graded to 3.5% year 15; 3.0% year 120

### Mortality:

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

### Other Assumptions:

Opt-Out Assumption 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death

Coverage Election at Retirement 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

### Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312
- Recognition period for assets in years: 5.0000

## North Adams-Jerome Public Schools

### Notes to the Financial Statements

- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### *Long-term Expected Return on Plan Assets*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0	9.1
International Equity Pools	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short-term Investment Pools	2.0	(1.3)
<b>Total</b>	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.0% inflation.

#### *Rate of Return*

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### *Discount Rate*

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make

**North Adams-Jerome Public Schools**

Notes to the Financial Statements

all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the School District’s proportionate share of the net OPEB liability to changes in the discount rate***

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

<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>5.95%</b>	<b>6.95%</b>	<b>7.95%</b>
<hr/> \$544,011	<hr/> \$292,765	<hr/> \$79,548

***Sensitivity of the School District’s proportionate share of the net OPEB liability to Healthcare Cost Trend Rate***

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

<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
<hr/> \$71,257	<hr/> \$292,765	<hr/> \$541,989

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2021 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**NOTE 8 - RISK MANAGEMENT**

The District also participates in a pool, the SEG Self-Insured Workers’ Disability Compensation Fund, with other school districts for workers’ compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The District has no liability for additional assessments based on the claims filed against the pool no do they have any right to the dividends.

The School District has purchased commercial insurance for fleet, building, employee health and accident insurance.

Management estimates that the amount of actual or potential claims against the School District as of June 30, 2022 will not materially affect the financial condition of the School District. Therefore,

# North Adams-Jerome Public Schools

## Notes to the Financial Statements

the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### NOTE 9 - INTERFUND TRANSACTIONS

The following schedule summarizes operating transfers during the year ended June 30, 2022:

<b>Transfers In</b>	<b>Transfers Out</b>	<b>Amount</b>
General	Debt	\$ 8,567
Food Service	General	2,810

Interfund transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances as of June 30, 2022 consisted of fund receivables and payables listed below:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Sinking	\$ 1,896

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

### NOTE 10 - STATE AID ANTICIPATION LOANS

During the year ended June 30, 2022, the District was approved for borrowings of \$600,000 for cash flow needs. The following schedule summarizes the short-term debt:

<b>Short-term Obligations</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Revenue Note 2021A-1	0.60%	2022	900,000	-	(900,000)	-	-
Revenue Note 2022A-1	0.445%	2022	-	600,000	-	600,000	600,000
State Aid - Accrued Interest			5,400	2,633	(5,400)	2,633	2,633
<b>Total Short-term Obligations</b>			\$ 905,400	\$ 602,633	\$ (905,400)	\$ 602,633	\$ 602,633

### NOTE 11 - SUBSEQUENT EVENTS

The Administration and Board of Education is not aware of any subsequent events that would have a significant impact on the financial condition of the School District.



# North Adams-Jerome Public Schools

## Notes to the Financial Statements

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### **NOTE 12 - SINKING FUNDS**

The School District's 2009 Sinking Fund records capital project activities funded with a sinking fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

## **Required Supplementary Information**

**North Adams-Jerome Public Schools**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Consolidated General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Property Tax	\$ 452,720	\$ 576,385	\$ 591,256	\$ 14,871
Other Local Sources	19,874	20,200	20,047	(153)
State Sources	3,330,633	3,681,967	3,626,766	(55,201)
Federal Sources	407,511	1,318,686	915,726	(402,960)
Other Sources	--	--	19,596	19,596
<b>Total Revenues</b>	<u>4,210,738</u>	<u>5,597,238</u>	<u>5,173,391</u>	<u>(423,847)</u>
<b>Other Financing Sources</b>				
Transfers In	12,780	10,422	8,567	(1,855)
<b>Total Revenues and Other Financing Sources</b>	<u>4,223,518</u>	<u>5,607,660</u>	<u>5,181,958</u>	<u>(425,702)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Basic Needs	2,110,939	2,280,889	2,073,164	207,725
Added Needs	578,999	679,709	556,286	123,423
<b>Total Instruction</b>	<u>2,689,938</u>	<u>2,960,598</u>	<u>2,629,450</u>	<u>331,148</u>
<b>Supporting Services</b>				
Pupil	77,614	275,951	272,575	3,376
Instructional Staff	288,903	593,014	592,585	429
General Administration	203,209	200,841	182,482	18,359
School Administration	217,585	230,276	229,853	423
Business Services	161,373	243,388	119,673	123,715
Operations and Maintenance	283,600	429,210	427,720	1,490
Transportation	284,608	333,264	331,319	1,945
Central Support Services	117,689	119,476	10,535	108,941
Other Support Services	36,581	302,904	301,654	1,250
<b>Total Supporting Services</b>	<u>1,671,162</u>	<u>2,728,324</u>	<u>2,468,396</u>	<u>259,928</u>
<b>Total Expenditures</b>	<u>4,361,100</u>	<u>5,688,922</u>	<u>5,097,846</u>	<u>591,076</u>
<b>Other Financing Uses</b>				
Transfers Out	--	2,810	2,810	--
<b>Total Expenditures and Other Financing Uses</b>	<u>4,361,100</u>	<u>5,691,732</u>	<u>5,100,656</u>	<u>591,076</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(137,582)</u>	<u>(84,072)</u>	<u>81,302</u>	<u>165,374</u>
<b>Net Change in Fund Balance</b>	<u>(137,582)</u>	<u>(84,072)</u>	<u>81,302</u>	<u>165,374</u>
Fund Balance at Beginning of Period	447,589	447,589	447,589	--
<b>Fund Balance at End of Period</b>	<u>\$ 310,007</u>	<u>\$ 363,517</u>	<u>\$ 528,891</u>	<u>\$ 165,374</u>

**North Adams-Jerome Public Schools**  
**Schedule of School District's Proportionate Share of Net Pension Liability**  
**Michigan Public School Employee Retirement Plan**  
**Last Eight Fiscal Years (Amounts were determined as of September 30 of each fiscal year)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Portion of Net Pension Liability (%)	0.01806%	0.01585%	0.01564%	0.01534%	0.01496%	0.01581%	0.01612%	0.01779%
School District's Proportionate Share of Net Pension Liability	\$ 4,276,779	\$ 5,445,829	\$ 5,179,465	\$ 4,610,705	\$ 3,875,969	\$ 3,945,276	\$ 3,937,732	\$ 3,919,471
School District's Covered Payroll	\$ 1,777,032	\$ 1,460,722	\$ 1,365,675	\$ 1,350,351	\$ 1,223,538	\$ 1,326,019	\$ 1,344,775	\$ 1,440,960
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	240.67%	372.82%	379.26%	341.44%	316.78%	297.53%	292.82%	272.00%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

**North Adams-Jerome Public Schools  
Schedule of School District's Pension Contributions  
Michigan Public School Employee Retirement Plan  
Last Eight School District Fiscal Years (Amounts determined as of June 30 of each year)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 542,400	\$ 435,673	\$ 415,484	\$ 417,641	\$ 350,819	\$ 355,095	\$ 311,099	\$ 276,357
Contributions in Relation to Statutorily Required Contributions	<u>542,400</u>	<u>435,673</u>	<u>415,484</u>	<u>417,641</u>	<u>350,819</u>	<u>355,095</u>	<u>311,099</u>	<u>276,357</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 2,135,127	\$ 1,662,012	\$ 1,415,257	\$ 1,358,411	\$ 1,328,308	\$ 1,326,019	\$ 1,344,775	\$ 1,440,960
Contributions as a Percentage of Covered Payroll	25.40%	26.21%	29.36%	30.74%	26.41%	26.78%	23.13%	19.18%

**North Adams-Jerome Public Schools**  
**Schedule of School District's Proportionate Share of Net OPEB Liability**  
**Michigan Public School Employee Retirement Plan**  
**Last Five Fiscal Years (Amounts were determined as of September 30 of each fiscal year)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.01918%	0.01625%	0.01551%	0.01582%	0.01498%
School District's Proportionate Share of Net OPEB Liability	\$ 292,765	\$ 870,322	\$ 1,113,306	\$ 1,257,321	\$ 1,326,880
School District's Covered Payroll	\$ 1,777,032	\$ 1,460,722	\$ 1,365,675	\$ 1,350,351	\$ 1,223,538
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	16.47%	59.58%	81.52%	93.11%	108.45%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	87.33%	59.44%	48.46%	42.95%	36.39%

**North Adams-Jerome Public Schools**  
**Schedule of School District's OPEB Contributions**  
**Michigan Public School Employee Retirement Plan**  
**Last Five School District Fiscal Years (Amounts determined as of June 30 of each year)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 142,385	\$ 114,779	\$ 106,496	\$ 102,671	\$ 116,655
Contributions in Relation to Statutorily Required Contributions	<u>142,385</u>	<u>114,779</u>	<u>106,496</u>	<u>102,671</u>	<u>116,655</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 2,135,127	\$ 1,662,012	\$ 1,415,257	\$ 1,358,411	\$ 1,328,308
Contributions as a Percentage of Covered Payroll	6.67%	6.91%	7.52%	7.56%	8.78%

## **Combining and Individual Fund Statements and Schedules**



**North Adams-Jerome Public Schools**  
**General Fund Combining Balance Sheet**  
**All Funds Treated as General**  
**June 30, 2022**

	<b>General Fund</b>	<b>Athletic Fund</b>	<b>Total General Funds</b>
<b>ASSETS</b>			
Cash and Investments	\$ 2,098,477	\$ (1,124,679)	\$ 973,798
Due from Other Governmental Units	747,560	--	747,560
Other Receivables	740	--	740
Prepaid Items	31,747	7,053	38,800
Due from Other Funds	1,896	--	1,896
<b><i>Total Assets</i></b>	<b>\$ 2,880,420</b>	<b>\$ (1,117,626)</b>	<b>\$ 1,762,794</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 165,717	\$ 9,900	\$ 175,617
Payroll Liabilities	398,010	--	398,010
Unearned Revenue	57,643	--	57,643
State Aid Anticipation Loan	602,633	--	602,633
<b><i>Total Liabilities</i></b>	<b>1,224,003</b>	<b>9,900</b>	<b>1,233,903</b>
<b>FUND BALANCE</b>			
Nonspendable	38,800	--	38,800
Assigned	3,271	--	3,271
Unassigned	1,614,346	(1,127,526)	486,820
<b><i>Total Fund Balance</i></b>	<b>1,656,417</b>	<b>(1,127,526)</b>	<b>528,891</b>
<b><i>Total Liabilities and Fund Balance</i></b>	<b>\$ 2,880,420</b>	<b>\$ (1,117,626)</b>	<b>\$ 1,762,794</b>

**North Adams-Jerome Public Schools**  
**General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Funds Treated as General**  
**For the Year Ended June 30, 2022**

	<u>General Fund</u>	<u>Athletic Fund</u>	<u>Total General Funds</u>
<b>Revenues</b>			
Property Taxes	\$ 591,256	\$ --	\$ 591,256
Other Local Sources	20,045	2	20,047
State Sources	3,626,766	--	3,626,766
Federal Sources	915,726	--	915,726
Other Sources	1,854	17,742	19,596
<b>Total Revenues</b>	<u>5,155,647</u>	<u>17,744</u>	<u>5,173,391</u>
<b>Expenditures</b>			
Instruction	2,629,450	--	2,629,450
Supporting Services	2,354,844	113,552	2,468,396
<b>Total Expenditures</b>	<u>4,984,294</u>	<u>113,552</u>	<u>5,097,846</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>171,353</u>	<u>(95,808)</u>	<u>75,545</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	8,567	--	8,567
Transfers Out	(2,810)	--	(2,810)
<b>Net Other Financing Sources (Uses)</b>	<u>5,757</u>	<u>--</u>	<u>5,757</u>
<b>Net Change in Fund Balance</b>	<b>177,110</b>	<b>(95,808)</b>	<b>81,302</b>
<b>Fund Balance at Beginning of Period</b>	<u>1,479,307</u>	<u>(1,031,718)</u>	<u>447,589</u>
<b>Fund Balance at End of Period</b>	<u>\$ 1,656,417</u>	<u>\$ (1,127,526)</u>	<u>\$ 528,891</u>

**North Adams-Jerome Public Schools**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Student Activity</u>	<u>Debt Service</u>		<u>Sinking</u>		
<b>ASSETS</b>							
Cash and Investments	\$ 66,426	\$ 48,643	\$ --	\$ --	\$ 64,527	\$ 179,596	\$ 179,596
Due from Other Governmental Units	5,888	--	--	--	--	5,888	5,888
Inventories	3,072	--	--	--	--	3,072	3,072
Prepaid Items	2,419	--	--	--	--	2,419	2,419
<b>Total Assets</b>	<b>\$ 77,805</b>	<b>\$ 48,643</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 64,527</b>	<b>\$ 190,975</b>	<b>\$ 190,975</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 1,786	\$ --	\$ --	\$ --	\$ --	\$ 1,786	\$ 1,786
Payroll Liabilities	7,206	--	--	--	--	7,206	7,206
Unearned Revenue	8,191	--	--	--	--	8,191	8,191
Due to Other Funds	--	--	--	--	1,896	1,896	1,896
<b>Total Liabilities</b>	<b>17,183</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,896</b>	<b>19,079</b>	<b>19,079</b>
<b>FUND BALANCE</b>							
Nonspendable	5,491	--	--	--	--	5,491	5,491
Restricted	55,131	--	--	--	62,631	117,762	117,762
Committed	--	48,643	--	--	--	48,643	48,643
Unassigned	--	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>60,622</b>	<b>48,643</b>	<b>--</b>	<b>--</b>	<b>62,631</b>	<b>171,896</b>	<b>171,896</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 77,805</b>	<b>\$ 48,643</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 64,527</b>	<b>\$ 190,975</b>	<b>\$ 190,975</b>

**North Adams-Jerome Public Schools**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2022**

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Student Activity</u>	<u>Debt Service</u>	<u>Sinking</u>	
<b>Revenues</b>					
Property Taxes	\$ --	\$ --	\$ --	\$ 100,061	\$ 100,061
Other Local Sources	6,765	44,926	1	66	51,758
State Sources	14,946	--	--	--	14,946
Federal Sources	268,439	--	--	--	268,439
<b>Total Revenues</b>	<b>290,150</b>	<b>44,926</b>	<b>1</b>	<b>100,127</b>	<b>435,204</b>
<b>Expenditures</b>					
Supporting Services	--	45,766	--	--	45,766
Food Service Activities	310,177	--	--	--	310,177
Building and Site Improvements	--	--	--	98,981	98,981
Capital Outlay	--	--	293,746	--	293,746
<b>Total Expenditures</b>	<b>310,177</b>	<b>45,766</b>	<b>293,746</b>	<b>98,981</b>	<b>748,670</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(20,027)</b>	<b>(840)</b>	<b>(293,745)</b>	<b>1,146</b>	<b>(313,466)</b>
<b>Other Financing Sources (Uses)</b>					
Leases	--	--	293,746	--	293,746
Transfers In	2,810	--	--	--	2,810
Transfers Out	--	--	(8,567)	--	(8,567)
<b>Net Other Financing Sources (Uses)</b>	<b>2,810</b>	<b>--</b>	<b>285,179</b>	<b>--</b>	<b>287,989</b>
<b>Net Change in Fund Balance</b>	<b>(17,217)</b>	<b>(840)</b>	<b>(8,566)</b>	<b>1,146</b>	<b>(25,477)</b>
<i>Fund Balance at Beginning of Period</i>	77,839	49,483	8,566	61,485	197,373
<b>Fund Balance at End of Period</b>	<b>\$ 60,622</b>	<b>\$ 48,643</b>	<b>\$ --</b>	<b>\$ 62,631</b>	<b>\$ 171,896</b>



**NORTH ADAMS-JEROME PUBLIC SCHOOLS  
HILLSDALE COUNTY, MICHIGAN  
SINGLE AUDIT COMPLIANCE  
YEAR ENDED JUNE 30, 2022**

**North Adams-Jerome Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2022**

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Federal ALN Number</i>	<i>Program or Award Amount</i>	<i>Prior Year Expenditures (Memorandum Only)</i>	<i>Accrued Revenue at July 1, 2021</i>	<i>Current Year Receipts</i>	<i>Current Year Adjustments</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2022</i>
<b>U.S. Department of Agriculture:</b>								
<i>Passed Through Michigan Department of Education:</i>								
Child Nutrition Cluster:								
211970 School Breakfast Program	10.553	\$ 2,243	\$ 2,243	\$ 2,243	\$ 2,243	\$ -	\$ -	\$ -
221970 School Breakfast Program	10.553	817	-	-	817	-	817	-
211971 School Breakfast Program	10.553	7,422	-	-	7,422	-	7,422	-
221971 School Breakfast Program	10.553	42,420	-	-	42,421	-	42,421	-
211960 National School Lunch Program	10.555	7,497	7,497	7,497	7,497	-	-	-
221960 National School Lunch Program	10.555	2,382	-	-	2,382	-	2,382	-
211961 National School Lunch Program	10.555	25,344	-	-	25,344	-	25,344	-
221961 National School Lunch Program	10.555	163,215	-	-	163,215	-	163,215	-
211965 National School Lunch Program	10.555	5,140	-	-	5,140	-	5,140	-
220910 National School Lunch Program	10.555	11,652	-	-	11,652	-	3,657	(7,995)
Non-cash Assistance (Entitlement Commodities)	10.555	16,544	-	-	16,544	-	16,544	-
<b>Total Child Nutrition Cluster:</b>		284,676	9,740	9,740	284,677	-	266,942	(7,995)
210980 Pandemic EBT Local Level Cost	10.649	614	-	-	614	-	418	(196)
E-STAR Program	10.574	3,500	-	-	1,079	-	1,079	-
<b>Total U.S. Department of Agriculture</b>		288,790	9,740	9,740	286,370	-	268,439	(8,191)
<b>U.S. Department of Education:</b>								
<i>Passed Through Michigan Department of Education:</i>								
Title I, Part A - Improving Basic Programs								
211530-2021	84.010	99,057	97,639	14,093	14,844	-	751	-
221530-2122	84.010	96,095	-	-	60,946	-	81,639	20,693
<b>Total Title I</b>		195,152	97,639	14,093	75,790	-	82,390	20,693
Title II, Part A - Improving Teacher Quality State Grants								
210520-2021	84.367	21,153	11,818	11,818	17,797	-	5,979	-
220520-2122	84.367	21,681	-	-	5,528	-	7,851	2,323
<b>Total Title II</b>		42,834	11,818	11,818	23,325	-	13,830	2,323
Title IV, Part A - Student Support & Academic Enrichment Grant								
210750-2021	84.424	11,089	7,890	872	3,167	-	2,295	-
220750-2122	84.424	10,000	-	-	8,282	-	8,671	389
<b>Total Title IV</b>		\$ 21,089	\$ 7,890	\$ 872	\$ 11,449	\$ -	\$ 10,966	\$ 389

See Notes to the Schedule of Expenditures of Federal Awards

Continued...

**North Adams-Jerome Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2022**

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Federal ALN Number</i>	<i>Program or Award Amount</i>	<i>Prior Year Expenditures (Memorandum Only)</i>	<i>Accrued Revenue at July 1, 2021</i>	<i>Current Year Receipts</i>	<i>Current Year Adjustments</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2022</i>
ESSER Grants:								
203710 - 1920 ESSER	84.425D	\$ 74,014	\$ 74,014	\$ 15,155	\$ 15,155	\$ -	\$ -	\$ -
213712 - 20-21 ESSER II	84.425D	336,216	28,720	28,720	315,979	-	298,502	11,243
213713 - 2122 ESSER III	84.425U	755,630	-	-	403,821	-	446,577	42,756
Total ESSER Grants		1,165,860	102,734	43,875	734,955	-	745,079	53,999
213713 - 2122 REAP	84.358A	16,172	-	-	10,885	-	16,172	5,287
<b>Total U.S. Department of Education</b>		<b>1,441,107</b>	<b>220,081</b>	<b>70,658</b>	<b>856,404</b>	<b>-</b>	<b>868,437</b>	<b>82,691</b>
<b>U.S. Department of Health and Human Services:</b>								
<i>Passed Through Hillsdale County Intermediate School District:</i>								
Medicaid Outreach	93.778	3,015	-	-	2,139	-	3,015	876
<b>Total U.S. Department of Health and Human Services</b>		<b>3,015</b>	<b>-</b>	<b>-</b>	<b>2,139</b>	<b>-</b>	<b>3,015</b>	<b>876</b>
Emergency Connectivity Funding	32.009	80,000	-	-	-	-	44,274	44,274
<b>Total Federal Financial Assistance</b>		<b>\$ 1,812,912</b>	<b>\$ 229,821</b>	<b>\$ 80,398</b>	<b>\$ 1,144,913</b>	<b>\$ -</b>	<b>\$ 1,184,165</b>	<b>\$ 119,650</b>

See Notes to the Schedule of Expenditures of Federal Awards

Concluded.

## North Adams-Jerome Public Schools

### Notes to the Schedule of Expenditures of Federal Awards

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#### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of North Adams-Jerome Public Schools (the "School") under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

#### **Note 2 - Summary of Significant Accounting Policies**

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

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

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

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

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

#### **Note 3 - Noncash Assistance**

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2022 that is not included on the schedule of expenditures of federal awards.



## North Adams-Jerome Public Schools

### Notes to the Schedule of Expenditures of Federal Awards

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

The federal revenues reported in the fund financial statements of \$1,184,165, which is equal to the federal expenditures reported in the schedule of expenditures of federal awards.

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

To the Board of Education  
North Adams-Jerome Public Schools  
North Adams, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Adams-Jerome Public Schools (the “School”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated October 14, 2022.

***Report on Internal Control over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

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

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Gabridge & Company, PLC  
Grand Rapids, MI  
October 14, 2022

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

To the Board of Education  
North Adams-Jerome Public Schools  
North Adams, Michigan

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited North Adams-Jerome Public School's (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

*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 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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs.

The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Gabridge & Company, PLC  
Grand Rapids, MI  
October 14, 2022

**North Adams-Jerome Public Schools  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

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

Federal Awards

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

Identification of Major Programs

Name of Federal Program or Cluster	ALN Number
Education Stabilization Fund	84.425
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings to report.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See finding 2022-001

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS**

No findings to report.

**North Adams-Jerome Public Schools**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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**2022-001 – Questioned Costs – Emergency Connectivity Fund Grant**

**Finding Type:** Material Weakness in Internal Control over Compliance

**Criteria:** The District is responsible for ensuring that grant funds are used on allowable expenditures and take into account the needs of the School.

**Condition/Finding:** During our audit we were informed of and then observed that the School purchased 140 Chrome books for remote learning through the Emergency Connectivity Fund grant. However, there were only 13 remote learning students during FY 2022.

**Cause:** This condition is the result of management obtaining grant funding and procuring equipment without an accurate assessment of the specific equipment needs of the School.

**Effect:** As a result, the School has requested reimbursement for 140 Chrome books, of which only 13 were utilized during FY 2022. The total cost of the Chrome books was \$44,274, or \$316 per Chrome book. The questioned amount is \$40,163. As of the date of this report, final action has not been taken to either allow or disallow the grant reimbursement.

**Recommendation:** We recommend that the District establish procedures to ensure that grant funds being utilized are used on allowable expenditures and align with the Schools needs.

**View of Responsible Officials**

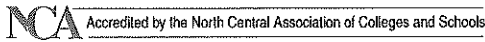
**(Corrective Action):** See corrective action plan.



Wes Johnson, Superintendent / K-12 Principal  
Val Trott, K-12 Director of Student Achievement  
Dan Shadik, K-12 Dean of Students  
Kayla Shadik, 9-12 Counselor  
Ashley Roekle, K-8 Counselor  
Doug Dospoy, Athletic Director



4555 Knowles Road  
North Adams, Michigan 49262  
High School Phone (517) 287-4214  
High School Fax (517) 287-4722  
Elementary Phone (517) 287-4278  
Elementary Fax (517) 287-4275  
www.najps.org



## 2022-001 – Questioned Costs – Emergency Connectivity Fund Grant

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**Recommendation:** We recommend that the District establish procedures to ensure that grant funds being utilized are used on allowable expenditures and align with the School's needs.

**View of Responsible Officials**

**Corrective Action:** See corrective action plan prepared by the School District on the following pages.

### BOARD OF EDUCATION

Linda Paille, President • Eric Moor, Vice President • Diane Todd, Secretary • Marcia Bumpus, Treasurer  
Sandra J. Hitt, Trustee • Joni Jones, Trustee • Trint Sawyer, Trustee

CORRECTIVE ACTION PLAN

2022-001- QUESTIONED COST - EMERGENCY CONNECTIVITY FUND GRANT

The School will more diligently assess the specific need of the school and put better procedures into place to ensure that the grant funds are being utilized on allowable expenditures.

Responsible Person: Bethney Richardson - Business Office Manager

A handwritten signature in black ink that reads "Bethney Richardson". The signature is written in a cursive style with a large initial "B".

Anticipated Completion Date: June 30, 2023

October 14, 2022

To the Board of Education  
North Adams-Jerome Public Schools  
North Adams, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Adams-Jerome Public Schools (the “School”) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 21, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There were no new accounting policies adopted during the fiscal year ended June 30, 2022. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.
- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

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

### ***Difficulties Encountered in Performing the Audit***

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

### ***Corrected and Uncorrected Misstatements***

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

### ***Disagreements with Management***

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

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 14, 2022.

### ***Management Consultations with Other Independent Accountants***

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

### ***Other Audit Findings or Issues***

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

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated October 14, 2022.

### ***Other Matters***

We applied certain limited procedures to management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

### ***Restriction on Use***

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

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC  
Grand Rapids, MI