



**WHITE PIGEON COMMUNITY SCHOOLS
ST. JOSEPH COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
White Pigeon Community Schools
White Pigeon, 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 White Pigeon Community Schools (the "School") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School 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.

Change in Accounting Principle

As stated in Note 16 to the basic financial statements, the School adopted GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription Based Information Technology Arrangements ("SBITA")* in 2023, which represents a change in its policy for reporting lease and subscription based information technology activities. Our opinions are not modified with respect to this matter.

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 20, 2023, 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

Gabridge & Company, PLC
Sturgis, MI
October 20, 2023

Management's Discussion and Analysis

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

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

Financial Highlights

- The assets and deferred outflows of the School District exceeded its liabilities and deferred inflows of resources at the close of this fiscal year by \$10,123,552. The School District had a deficit unrestricted net position of \$(8,122,580).
- Revenues of \$12,393,333 exceeded expenses of \$9,459,303, leading to an increase in net position of \$2,934,030 during the year.
- During the year, the School District's fund balances decreased by \$1,041,214, for an ending fund balance of \$5,771,945.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,622,162, or 37.6% of the general fund's total expenditures. Fund balance of the general fund increased by \$363,478 during the year.

Overview of the Financial Statements

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

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

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund.

District-wide Financial Statements

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

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

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

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

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

Financial Analysis of the School District as a Whole

The table on the following page shows the June 30, 2023 and 2022 statements of net position.

White Pigeon Community School's Net Position

ASSETS	2023	2022
<i>Current Assets</i>		
Cash and cash equivalents	\$ 5,536,192	\$ 6,208,860
Accounts receivable	585	26,238
Due from other governmental units	1,200,830	1,635,058
Inventory and prepaid items	28,220	32,465
<i>Total Current Assets</i>	6,765,827	7,902,621
<i>Noncurrent Assets</i>		
Capital assets, net	16,920,147	14,307,716
<i>Total Assets</i>	23,685,974	22,210,337
DEFERRED OUTFLOWS OF RESOURCES		
OPEB Related	1,046,606	825,790
Pension Related	4,291,586	2,166,638
<i>Total Deferred Outflows of Resources</i>	5,338,192	2,992,428
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	336,190	359,742
Accrued payroll and related benefits	484,865	634,451
Accrued interest	3,083	6,590
Unearned revenue	172,827	95,269
Current portion of long-term debt	375,673	659,000
Current portion of lease liability	11,449	-
<i>Total Current Liabilities</i>	1,384,087	1,755,052
<i>Noncurrent Liabilities</i>		
Net OPEB liability	778,665	614,925
Net pension liability	14,218,668	9,472,885
Compensated Absences	16,949	18,600
Long-term debt	32,551	428,860
Lease liability	35,723	-
<i>Total Liabilities</i>	16,466,643	12,290,322
DEFERRED INFLOWS OF RESOURCES		
OPEB Related	1,820,021	2,407,628
Pension Related	613,950	3,315,293
<i>Total Deferred Inflows of Resources</i>	2,433,971	5,722,921
NET POSITION		
Net investment in capital assets	16,464,751	13,937,468
Restricted	1,781,381	2,468,461
Unrestricted	(8,122,580)	(9,216,407)
<i>Total Net Position</i>	\$ 10,123,552	\$ 7,189,522

As a result of worse market conditions, pension assets and OPEB assets each lost about 4-5% during the most recent actuarial valuation. This resulted in an increase in net pension liability of \$4,745,783, an increase in deferred outflows related to the pension of \$2,124,948, and a decrease in deferred inflows related to the pension of \$2,701,343. Similarly, this resulted in an increase in net OPEB liability of \$163,740, an increase in deferred outflows related to the OPEB of \$220,816, and a decrease in deferred inflows related to the OPEB of \$587,607. Capital Assets increased by \$2,612,431 due to significant capital outlay expenditures during the year. Due to the timing of year-end payroll, accrued payroll and related benefits decreased by \$149,586.

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

White Pigeon Community School's Changes in Net Position

Revenues	2023	2022
Program Revenues		
Charges for services	\$ 328,479	\$ 268,205
Operating grants and contributions	3,054,813	3,548,119
Capital grants and contributions	791,864	-
<i>Total Program Revenues</i>	4,175,156	3,816,324
General Revenues		
Property taxes	4,873,406	4,606,536
Unrestricted state sources	3,314,253	3,234,651
Interest and investment earnings	30,518	17,028
<i>Total General Revenues</i>	8,218,177	7,858,215
<i>Total Revenues</i>	12,393,333	11,674,539
Expenses		
Instruction	4,977,168	4,133,790
Supporting services	2,567,753	2,211,058
Food services	787,955	819,667
Athletics and student activities	458,765	394,295
Interest on long-term debt	5,374	24,363
Depreciation (unallocated)	662,288	612,035
<i>Total Expenses</i>	9,459,303	8,195,208
<i>Change in Net Position</i>	2,934,030	3,479,331
<i>Net Position at Beginning of Period</i>	7,189,522	3,710,191
<i>Net Position at End of Period</i>	\$ 10,123,552	\$ 7,189,522

The School District had an overall increase in net position of \$2,934,030 for the year ended June 30, 2023. Operating grants and contributions decreased \$493,306 as the School District spent a fair amount of the Esser grants on capital projects. Capital grants had a \$791,864 increase due to

the Esser grants being considered capital in nature. Property taxes increased by \$266,870 as the School District's taxable value increased. An increase in overall foundation allowance resulted in an increase in unrestricted state aid of \$79,602.

Changes within expenses for the School District were largely caused by the changes in net pension liability, net OPEB liability, and their related deferrals.

Fund Financial Statements

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

The School District utilizes governmental funds:

- *Governmental funds:* Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the 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 School District's Funds

The School District uses funds to record and analyze financial information. The School District has three major funds, its general, tax levy, and sinking fund C funds.

The ***general fund*** is the School District's primary operating fund. The general fund had revenues of \$9,911,309, expenditures of \$9,623,712, and net other financing sources of \$75,881. The general fund ended the year with a \$363,478 increase in fund balance for a total fund balance of \$3,990,564 as of June 30, 2023.

Significant increases for revenues were within state and federal sources as a result of increased unrestricted state aid and increased restricted federal funding. Significant increases for expenditures were a result of increased capital outlay and instruction expenditures.

The ***tax levy fund***, a major fund, had an increase in fund balance of \$436,454 for a total fund balance of \$436,454 as of year-end. The decrease is a result of increased capital outlay during the fiscal year.

The *sinking fund c*, a major fund, had a decrease in fund balance of \$1,351,423, for a total fund balance of \$647,270 as of year-end. The sinking fund C had revenues of \$6,154 and expenditures of \$1,357,577. The increase is a result of capital outlay expenditures exceeding the incoming revenues during the fiscal year.

General Fund Budgetary Highlights

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

Original budget compared to final budget. The original budget was amended during the year as actual results needed adjusting from the original budgeted estimates. The original budgeted amounts for basic programs increased from \$3,911,366 to \$4,713,807 and appropriations for capital outlay decreased from \$1,117,333 to \$498,958.

Final budget compared to actual results. The School District had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2023:

	Final Budget	Actual Amount	Negative Variance
Athletics and student activities	\$ 464,198	\$ 472,856	\$ (8,658)
Capital outlay	498,958	573,244	(74,286)
Debt service	317,768	335,976	(18,208)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023, the School District had \$16,920,147 invested in capital assets. This included a net increase during the fiscal year of \$2,612,431 consisting of capital asset purchases of \$3,290,766 against depreciation expense of \$678,335.

More detailed information about the School District's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt

At year-end, the School District had total long-term debt of \$408,224. The State limits the amount of general obligation debt that schools can issue. The School District is well under the State limit as of June 30, 2023.

More detailed information about the School District's long-term debt can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budget and Rates

The School District's budget for the 2023-2024 fiscal year projects total revenues of approximately \$10,000,000 and total expenditures of approximately \$9,500,000. The School District continues to work to balance its expenditures while providing an excellent education to the District it serves.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

White Pigeon Community Schools
Business Department
410 E. Prairie Ave
White Pigeon, MI 49099

Basic Financial Statements

White Pigeon Community Schools
Statement of Net Position
June 30, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 5,536,192
Accounts receivable	585
Due from other governmental units	1,200,830
Inventory	9,378
Prepaid items	18,842
Total Current Assets	6,765,827

Noncurrent Assets

Capital assets not being depreciated	4,807,337
Capital assets being depreciated	12,112,810
Total Assets	23,685,974

DEFERRED OUTFLOWS OF RESOURCES

OPEB Related	1,046,606
Pension Related	4,291,586
Total Deferred Outflows of Resources	5,338,192

LIABILITIES

Current Liabilities

Accounts payable	336,190
Accrued payroll	361,870
Accrued benefits	122,995
Accrued interest	3,083
Unearned revenue	172,827
Current portion of long-term debt	387,122
Total Current Liabilities	1,384,087

Noncurrent Liabilities

Net OPEB liability	778,665
Net pension liability	14,218,668
Compensated absences	16,949
Long term debt	68,274
Total Liabilities	16,466,643

DEFERRED INFLOWS OF RESOURCES

OPEB Related	1,820,021
Pension Related	613,950
Total Deferred Inflows of Resources	2,433,971

NET POSITION

Net investment in capital assets	16,464,751
<i>Restricted for:</i>	
Capital projects	1,406,087
Debt service	77,918
Food service	297,376
<i>Unrestricted</i>	(8,122,580)
Total Net Position	\$ 10,123,552

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 4,977,168	\$ --	\$ 2,118,899	\$ 791,864	\$ (2,066,405)
Supporting services	2,567,753	52,493	181,159	--	(2,334,101)
Food services	787,955	47,093	754,755	--	13,893
Athletics and student activities	458,765	228,893	--	--	(229,872)
Interest on long-term debt	5,374	--	--	--	(5,374)
Depreciation (unallocated)	662,288	--	--	--	(662,288)
Total	\$ 9,459,303	\$ 328,479	\$ 3,054,813	\$ 791,864	(5,284,147)
General Purpose Revenues:					
Property taxes, levied for general operations					3,265,941
Property taxes, levied for capital projects					1,252,243
Property taxes, levied for debt service					355,222
Unrestricted state aid					3,314,253
Interest and investment earnings					30,518
Total General Revenues					8,218,177
Change in Net Position					2,934,030
<i>Net Position at Beginning of Period</i>					7,189,522
Net Position at End of Period					\$ 10,123,552

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

White Pigeon Community Schools
Balance Sheet
Governmental Funds
June 30, 2023

		<u>Capital Projects</u>			
	<u>General</u>	<u>Sinking Fund C</u>	<u>Tax Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 3,965,571	\$ 731,036	\$ 436,454	\$ 403,131	\$ 5,536,192
Accounts receivable	--	--	--	585	585
Due from other governmental units	1,200,830	--	--	--	1,200,830
Inventory	5,814	--	--	3,564	9,378
Prepaid items	18,842	--	--	--	18,842
Due from other funds	--	--	--	359,550	359,550
<i>Total Assets</i>	<u>\$ 5,191,057</u>	<u>\$ 731,036</u>	<u>\$ 436,454</u>	<u>\$ 766,830</u>	<u>\$ 7,125,377</u>
LIABILITIES					
Accounts payable	\$ 188,943	\$ 83,766	\$ --	\$ 63,481	\$ 336,190
Accrued payroll	361,870	--	--	--	361,870
Accrued benefits	122,995	--	--	--	122,995
Unearned revenue	167,135	--	--	5,692	172,827
Due to other funds	359,550	--	--	--	359,550
<i>Total Liabilities</i>	<u>1,200,493</u>	<u>83,766</u>	<u>--</u>	<u>69,173</u>	<u>1,353,432</u>
FUND BALANCE					
Nonspendable	24,656	--	--	3,564	28,220
Restricted	--	647,270	436,454	694,093	1,777,817
Committed	308,264	--	--	--	308,264
Assigned	35,482	--	--	--	35,482
Unassigned	3,622,162	--	--	--	3,622,162
<i>Total Fund Balance</i>	<u>3,990,564</u>	<u>647,270</u>	<u>436,454</u>	<u>697,657</u>	<u>5,771,945</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 5,191,057</u>	<u>\$ 731,036</u>	<u>\$ 436,454</u>	<u>\$ 766,830</u>	<u>\$ 7,125,377</u>

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

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

Total Fund Balance - Governmental Funds	\$ 5,771,945
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(3,083)
General government capital assets of \$25,908,961, net of accumulated depreciation of \$8,988,814, are not financial resources and, accordingly, are not reported in the funds.	16,920,147
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This amount represents the sum of bonds payable of \$370,000 premiums of \$26,755, lease obligations of \$47,172, subscription based information technology of \$11,469, and compensated absences of \$16,949.	(472,345)
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.	855,548
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.	(12,948,660)
Total Net Position - Governmental Activities	\$ <u>10,123,552</u>

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

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

		<u>Capital Projects</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Sinking Fund C</u>	<u>Tax Levy</u>	<u>Governmental</u>	<u>Governmental</u>
				<u>Funds</u>	<u>Funds</u>
Revenues					
Local sources	\$ 3,686,293	\$ 6,154	\$ 1,254,219	\$ 406,529	\$ 5,353,195
State sources	5,135,056	--	45,848	33,790	5,214,694
Federal sources	1,030,661	--	--	735,484	1,766,145
Interdistrict	59,299	--	--	--	59,299
Total Revenues	<u>9,911,309</u>	<u>6,154</u>	<u>1,300,067</u>	<u>1,175,803</u>	<u>12,393,333</u>
Expenditures					
Instruction	5,575,670	--	--	--	5,575,670
Supporting services	2,665,966	--	--	--	2,665,966
Food services	--	--	--	885,930	885,930
Athletics and student activities	472,856	--	--	--	472,856
Capital outlay	573,244	1,357,577	863,613	398,346	3,192,780
Debt service - principal	331,240	--	--	345,000	676,240
Debt service - interest and fiscal charges	4,736	--	--	36,250	40,986
Total Expenditures	<u>9,623,712</u>	<u>1,357,577</u>	<u>863,613</u>	<u>1,665,526</u>	<u>13,510,428</u>
Excess of Revenues Over					
(Under) Expenditures	<u>287,597</u>	<u>(1,351,423)</u>	<u>436,454</u>	<u>(489,723)</u>	<u>(1,117,095)</u>
Other Financing Sources (Uses)					
Lease and SBITA Proceeds	75,881	--	--	--	75,881
Net Other Financing Sources (Uses)	<u>75,881</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>75,881</u>
Net Change in Fund Balance	<u>363,478</u>	<u>(1,351,423)</u>	<u>436,454</u>	<u>(489,723)</u>	<u>(1,041,214)</u>
Fund Balance at Beginning of Period	<u>3,627,086</u>	<u>1,998,693</u>	<u>--</u>	<u>1,187,380</u>	<u>6,813,159</u>
Fund Balance at End of Period	<u>\$ 3,990,564</u>	<u>\$ 647,270</u>	<u>\$ 436,454</u>	<u>\$ 697,657</u>	<u>\$ 5,771,945</u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$ (1,041,214)
Issuance of long-term debt are other financing sources in the governmental funds, but the issuance increases long-term liabilities in the statement of net position.	(75,881)
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.	80,508
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.	644,683
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 represented by which capital outlay of \$3,290,766 exceeds depreciation expense of \$678,335.	2,612,431
Current year long-term debt principal payments on bonds payable are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements. In addition, amortization of bond premiums are reductions in long-term debt in the government-wide financial statements.	708,345
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.	1,651
Changes to accrued interest do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	3,507
Changes in Net Position - Governmental Activities	\$ <u>2,934,030</u>

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

Notes to the Financial Statements

White Pigeon Community Schools

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of White Pigeon Community Schools (the “School District” or “government”) conform to generally accepted accounting principles as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District’s significant accounting policies are described below:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the School District does not contain any component units.

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 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.

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

White Pigeon Community Schools

Notes to the Financial Statements

recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

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

The School District reports the following major funds:

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

The ***Tax Levy Fund*** is used to record school building and site bond proceeds and the ensuing capital project expenditures.

The ***Sinking Fund C*** is used to record tax, interest income, other revenue for the expenditures for the maintenance, repair and construction of school buildings.

Additionally, the School District 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 tax revenues and interest for the payment of principal and interest on bonds.

Capital project funds are used to account for the revenues and expenditures relating to capital projects.

White Pigeon Community Schools

Notes to the Financial Statements

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Property Taxes

Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. Assessed values are established annually by the various governmental units within the School District and are equalized by the State of Michigan.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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.

White Pigeon Community Schools

Notes to the Financial Statements

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

Investments

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

Receivables and Payables

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

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

Inventories and Prepaids

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, outside site improvements, buildings and additions, furniture and other equipment, and vehicles are reported in the district-wide financial statements. Assets having a useful life in excess of five years and whose costs exceed \$5,000 are capitalized. Capital

White Pigeon Community Schools

Notes to the Financial Statements

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.

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

	Years
Buildings and improvements	20 - 50
Outside site improvements	10 - 20
Buses and other vehicles	5 - 10
Furniture and equipment	5 - 10
Subscription based information technology	Length of agreement

Pension

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

Postemployment Benefits Other Than Pensions

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

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District

White Pigeon Community Schools

Notes to the Financial Statements

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.

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. These items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Salaries Payable and Accrued Employee Benefits

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

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

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 and district-wide financial statements, only the matured liability for compensated absences is reported.

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

White Pigeon Community Schools

Notes to the Financial Statements

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.

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary 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 – 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).

White Pigeon Community Schools

Notes to the Financial Statements

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

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

Use of Estimates

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

Note 2 - Stewardship, Compliance, and Accountability

Capital Projects Fund Compliance

The capital projects fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of Section 1351a of the Michigan Revised School Code.

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 department level. The approved budgets of the School District for these budgeted funds were also adopted at the department level.

White Pigeon Community Schools

Notes to the Financial Statements

Budgetary Compliance

The School District had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2023:

	Final Budget	Actual Amount	Negative Variance
Athletics and student activities	\$ 464,198	\$ 472,856	\$ (8,658)
Capital outlay	498,958	573,244	(74,286)
Debt service	317,768	335,976	(18,208)

District-wide Net Position Deficits

The School District has an unrestricted net position deficit for district-wide activities in the amount of \$(8,122,580) as of June 30, 2023.

Note 3 - Cash and Cash Equivalents

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, 2023:

Cash and cash equivalents	
Checking and savings accounts	\$ 5,535,902
Cash on hand	290
Total cash and cash equivalents	<u>\$ 5,536,192</u>

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, \$5,682,587 of the School District's bank balance of \$5,932,587 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 - Interfund Receivables and Payables

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

White Pigeon Community Schools

Notes to the Financial Statements

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Food Service	General	<u>\$ 359,550</u>

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 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue include charges for services payments received prior to meeting all eligibility requirements in the amount of \$172,827.

Note 6 - State of Michigan School Aid

The School District reports State of Michigan school aid in the fiscal year in which the School District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided approximately 42.1% of the total revenues to the School District during the June 30, 2023 fiscal year.

White Pigeon Community Schools

Notes to the Financial Statements

Note 7 - Capital Assets

Capital asset activity of the School District was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not being Depreciated:				
Land	\$ 81,600	\$ -	\$ -	\$ 81,600
Construction in progress	1,608,827	3,116,910	-	4,725,737
Subtotal	1,690,427	3,116,910	-	4,807,337
Capital Assets being Depreciated:				
Buildings and improvements	16,819,220	-	-	16,819,220
Buses and other vehicles	892,227	-	-	892,227
Furniture and equipment	3,216,321	97,975	-	3,314,296
Intangible right to use - printer/copier lease	-	58,492	-	58,492
Intangible right to use - subscription based information technology	-	17,389	-	17,389
Subtotal	20,927,768	173,856	-	21,101,624
Less Accumulated Depreciation:				
Buildings and improvements	(5,472,766)	(391,805)	-	(5,864,571)
Buses and other vehicles	(499,552)	(73,906)	-	(573,458)
Furniture and equipment	(2,338,161)	(196,577)	-	(2,534,738)
Intangible right to use - printer/copier lease	-	(11,700)	-	(11,700)
Intangible right to use - subscription based information technology	-	(4,347)	-	(4,347)
Subtotal	(8,310,479)	(678,335)	-	(8,988,814)
Capital Assets being Depreciated, Net	12,617,289	(504,479)	-	12,112,810
Capital Assets, Net	\$ 14,307,716	\$ 2,612,431	\$ -	\$ 16,920,147

Depreciation expense for the fiscal year amounted to \$678,335. The School District determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

Note 8 - Long-term Obligations

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district.

Long-term debt consists of the following:

2019 Building and Site Bonds of \$1,635,000, due in amounts ranging from \$300,000 to \$370,000, plus interest at 1.50% - 1.55%, through 2024	\$ 370,000
Total Direct Placement Bonds	\$ 370,000

White Pigeon Community Schools

Notes to the Financial Statements

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Placement Bonds Payable					
2019 Building and Site Bonds	\$ 715,000	\$ -	\$ (345,000)	\$ 370,000	\$ 370,000
2008 QZAB Bonds	314,000	-	(314,000)	-	-
<i>Total Direct Placement Bonds</i>	<u>1,029,000</u>	<u>-</u>	<u>(659,000)</u>	<u>370,000</u>	<u>370,000</u>
Other Long-term Obligations					
Bond Premiums	58,860	-	(32,105)	26,755	-
2023 Lease Obligation	-	58,492	(11,320)	47,172	11,449
Subscription Based Information Technology	-	17,389	(5,920)	11,469	5,673
Compensated Absences	18,600	290	(1,941)	16,949	-
<i>Total Other Long-term Obligations</i>	<u>77,460</u>	<u>76,171</u>	<u>(51,286)</u>	<u>102,345</u>	<u>17,122</u>
Total Long-term Obligations	<u>\$ 1,106,460</u>	<u>\$ 76,171</u>	<u>\$ (710,286)</u>	<u>\$ 472,345</u>	<u>\$ 387,122</u>

Annual debt service requirements, exclusive of bond premium and compensated absences, for long-term debt outstanding as of June 30, 2023 follows:

Year Ending June 30,	Principal	Interest	Total
<u>2024</u>	<u>\$ 370,000</u>	<u>\$ 18,500</u>	<u>\$ 388,500</u>

Compensated absences are generally liquidated by the general fund.

2023 Lease Obligation

\$58,492 has been recorded as an intangible right to use lease for several printer and copiers. Due to the implementation of GASB Statement No. 87, *Leases*, this lease for printers and copiers 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 equipment. There are no residual value guarantees in the lease provisions. The lease will end in June 2027.

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 11,449	\$ 839	\$ 12,288
2025	11,680	608	12,288
2026	11,916	372	12,288
2027	12,127	132	12,259
Totals:	<u>\$ 47,172</u>	<u>\$ 1,951</u>	<u>\$ 49,123</u>

White Pigeon Community Schools

Notes to the Financial Statements

2023 SBITA

During 2023, the School District entered into an agreement for the right-to-use ESpark Learning software. \$17,389 has been recorded as a long-term liability along with a corresponding right-to-use SBITA asset. The agreement began June 1, 2023 and will end May 31, 2025. A summary of the principal and interest amounts for the remaining SBITA payments is as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 5,673	\$ 247	\$ 5,920
2025	5,796	124	5,920
Totals:	\$ 11,469	\$ 371	\$ 11,840

Note 9 - 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.

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

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

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. 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

White Pigeon Community Schools

Notes to the Financial Statements

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

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

<u>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</u>
Basic	0.0 - 4.0%	20.14%
Member Investment Plan	3.0 - 7.0%	20.14%
Pension Plus	3.0 - 6.4%	17.22%
Pension Plus 2	6.2%	19.93%
Defined Contribution	0.0%	13.73%

Required contributions to the pension plan from the School District were \$1,286,788 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$14,218,668 for its proportionate share

White Pigeon Community Schools

Notes to the Financial Statements

of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.03781 percent, which was a decrease of 0.00220 percent from its proportion measured as of September 30, 2021.

For the year ending June 30, 2023, the School District recognized pension expense of \$1,499,268.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 142,236	\$ 31,791
Changes of assumptions	2,443,277	-
Net difference between projected and actual earnings on pension plan investments	33,343	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	110,315	582,159
Employer contributions subsequent to the measurement date	1,562,415	-
Total	\$ 4,291,586	\$ 613,950

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

Plan Year Ended September 30	Amount:
2023	\$ 576,146
2024	438,207
2025	342,483
2026	758,385

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

White Pigeon Community Schools

Notes to the Financial Statements

employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.00%, net of investment expenses
- Pension Plus Plan:	6.00%, net of investment expenses
- Pension Plus 2 Plan:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the 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 2022 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

White Pigeon Community Schools

Notes to the Financial Statements

Long-term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 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 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected

White Pigeon Community Schools

Notes to the Financial Statements

rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Discount	1% Increase
5.0%	Rate - 6.0%	7.0%
\$18,763,360	\$14,218,668	\$10,473,638

** 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.

Note 10 - 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

White Pigeon Community Schools

Notes to the Financial Statements

investment officer and custodian for the System.

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

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning 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

White Pigeon Community 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, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

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

Benefit Structure	Member	Non-Universities
Premium Subsidy	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.23%

Required contributions to the OPEB plan from the School District were \$280,037 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$778,665 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.03676%, which was a decrease of 0.00352% from its proportion measured as of October 1, 2021.

For the year ending June 30, 2023, the School District recognized OPEB expense of \$(368,210).

White Pigeon Community Schools

Notes to the Financial Statements

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 1,525,107
Changes of assumptions	694,049	56,513
Net difference between projected and actual earnings on OPEB plan investments	60,859	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,379	238,401
Employer contributions subsequent to the measurement date	231,319	-
Total	\$ 1,046,606	\$ 1,820,021

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

Plan Year Ended September 30	Amount:
2023	\$ (350,742)
2024	(298,195)
2025	(253,139)
2026	(47,886)
2027	(47,324)
Thereafter	(7,448)

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.

White Pigeon Community Schools

Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual 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

White Pigeon Community Schools

Notes to the Financial Statements

- Full actuarial assumptions are available in the 2022 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-term Expected Return on Plan Assets

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

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

*Long-term rates of return are net of administrative expenses and 2.20% inflation.

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make

White Pigeon Community Schools

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

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease	Current Discount	1% Increase
5.0%	Rate	7.0%
	6.0%	
<u>\$1,306,136</u>	<u>\$778,665</u>	<u>\$334,469</u>

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

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

1% Decrease	Current Healthcare	1% Increase
	Cost Trend Rate	
<u>\$326,068</u>	<u>\$778,665</u>	<u>\$1,286,715</u>

OPEB Plan Fiduciary Net Position

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

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years

White Pigeon Community Schools

Notes to the Financial Statements

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 13 - Fund Balance – Governmental Funds

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

	General Fund	Sinking Fund C	Tax Levy	Nonmajor Governmental Funds	Totals
Nonspendable					
Inventory	\$ 5,814	\$ -	\$ -	\$ 3,564	\$ 9,378
Prepaid items	18,842	-	-	-	18,842
Subtotal	24,656	-	-	3,564	28,220
Restricted					
Food services	-	-	-	293,812	293,812
Capital projects	-	647,270	436,454	322,363	1,406,087
Debt service	-	-	-	77,918	77,918
Subtotal	-	647,270	436,454	694,093	1,777,817
Committed					
Student activities	192,494	-	-	-	192,494
Building improvements	5,764	-	-	-	5,764
Bus purchasing	20,960	-	-	-	20,960
Technology	89,046	-	-	-	89,046
Subtotal	308,264	-	-	-	308,264
Assigned for equipment	35,482	-	-	-	35,482
Unassigned	3,622,162	-	-	-	3,622,162
Total fund balances - governmental funds	\$ 3,990,564	\$ 647,270	\$ 436,454	\$ 697,657	\$ 5,771,945

Note 14 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the Townships of White Pigeon and Park. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

White Pigeon Community Schools

Notes to the Financial Statements

For the fiscal year ended June 30, 2023, the School District's operating property tax revenues were reduced by \$28,864, the debt service property tax revenues were reduced by \$1,637, and the sinking fund revenues by \$5,777 under these programs. Operating revenues not paid to the district because of tax abatement agreements are reimbursed to the district by the State of Michigan through the per-pupil foundation allowance.

Note 15 - Subsequent Events

Management has evaluated subsequent events through October 20, 2023, the date these financial statements were available to be issued, and is not aware of any events that could have a financial impact on the School District.

Note 16 - Adoption of GASB Statement No. 96, *SBITAs*

The School adopted the provisions of GASB Statement No. 96, *SBITAs*, in the current year, which improves accounting and financial reporting for subscription based information technology arrangements by governments. This statement requires recognition of certain right to use assets and liabilities for *SBITAs* that previously were not shown on the balance sheet. It establishes a single model for *SBITA* accounting based on the foundational principle that *SBITAs* are financings of the right to use an underlying asset. Under this statement, the school is required to recognize a *SBITA* liability and an intangible right-to-use *SBITA* asset.

Required Supplementary Information

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

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Local sources	\$ 3,511,630	\$ 3,561,408	\$ 3,686,293	\$ 124,885
State sources	3,533,403	5,161,598	5,135,056	(26,542)
Federal sources	1,554,182	1,057,506	1,030,661	(26,845)
Interdistrict	70,000	78,278	59,299	(18,979)
Total Revenues	8,669,215	9,858,790	9,911,309	52,519
Other Financing Sources				
Leases and SBITA Proceeds	--	--	75,881	75,881
Total Revenues and Other Financing Sources	8,669,215	9,858,790	9,987,190	128,400
Expenditures				
Instruction				
Basic programs	3,911,366	4,713,807	4,560,533	153,274
Added needs	1,052,293	1,047,482	1,015,137	32,345
Total instruction	4,963,659	5,761,289	5,575,670	185,619
Supporting services				
Pupil support services	323,237	324,082	322,068	2,014
Instructional staff	91,842	76,046	51,988	24,058
General administration	258,647	261,396	230,381	31,015
School administration	599,427	596,349	580,518	15,831
Business	186,810	197,754	194,184	3,570
Operations and maintenance	874,766	820,492	791,221	29,271
Pupil transportation	428,965	379,747	341,525	38,222
Central support and technology	144,469	155,002	154,081	921
Total supporting services	2,908,163	2,810,868	2,665,966	144,902
Athletics and student activities	397,090	464,198	472,856	(8,658)
Community services	2,867	1,870	--	1,870
Capital outlay	1,117,333	498,958	573,244	(74,286)
Debt service	317,789	317,768	335,976	(18,208)
Total Expenditures	9,706,901	9,854,951	9,623,712	231,239
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(1,037,686)	3,839	363,478	359,639
Net Change in Fund Balance	(1,037,686)	3,839	363,478	359,639
Fund Balance at Beginning of Period	3,627,086	3,627,086	3,627,086	--
Fund Balance at End of Period	\$ 2,589,400	\$ 3,630,925	\$ 3,990,564	\$ 359,639

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's Portion of Net Pension Liability (%)	3.78100%	0.04001%	0.03935%	0.03963%	0.04119%	0.04179%	0.04179%	0.03982%	0.04058%
School District's Proportionate Share of Net Pension Liability	\$ 14,218,668	\$ 9,472,885	\$ 13,516,140	\$ 13,123,249	\$ 12,381,769	\$ 10,828,949	\$ 10,426,024	\$ 9,726,146	\$ 8,937,677
School District's Covered Payroll	\$ 3,616,950	\$ 3,685,794	\$ 3,557,971	\$ 3,427,804	\$ 3,478,875	\$ 3,475,979	\$ 3,608,117	\$ 3,339,269	\$ 3,272,500
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	393.11%	257.01%	379.88%	382.85%	355.91%	311.54%	288.96%	291.27%	273.11%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 1,286,788	\$ 1,201,394	\$ 1,081,308	\$ 1,052,716	\$ 586,958	\$ 622,197	\$ 646,630	\$ 653,970	\$ 771,420
Contributions in Relation to Statutorily Required Contributions	<u>1,286,788</u>	<u>1,201,394</u>	<u>1,081,308</u>	<u>1,052,716</u>	<u>586,958</u>	<u>622,197</u>	<u>646,630</u>	<u>653,970</u>	<u>771,420</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 3,854,515	\$ 3,637,547	\$ 3,650,458	\$ 3,555,338	\$ 3,433,392	\$ 3,477,455	\$ 3,503,100	\$ 3,447,900	\$ 3,334,260
Contributions as a Percentage of Covered Payroll	33.38%	33.03%	29.62%	29.61%	17.10%	17.89%	18.46%	18.97%	23.14%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.03676%	0.04029%	0.03982%	0.03906%	0.04079%	0.04188%
School District's Proportionate Share of Net OPEB Liability	\$ 778,665	\$ 614,925	\$ 2,133,076	\$ 2,803,287	\$ 3,242,183	\$ 3,709,019
School District's Covered Payroll	\$ 3,616,950	\$ 3,685,794	\$ 3,557,971	\$ 3,427,804	\$ 3,478,875	\$ 3,475,979
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	21.53%	16.68%	59.95%	81.78%	93.20%	106.70%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 280,037	\$ 299,065	\$ 281,313	\$ 268,156	\$ 282,223	\$ 299,166
Contributions in Relation to Statutorily Required Contributions	<u>280,037</u>	<u>299,065</u>	<u>281,313</u>	<u>268,156</u>	<u>282,223</u>	<u>299,166</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 3,854,515	\$ 3,637,547	\$ 3,650,458	\$ 3,555,338	\$ 3,433,392	\$ 3,477,455
Contributions as a Percentage of Covered Payroll	7.27%	8.22%	7.71%	7.54%	8.22%	8.60%

Combining and Individual Fund Statements and Schedules

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

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Debt Retirement</u>	<u>Capital Projects</u>	
ASSETS				
Cash and cash equivalents	\$ 2,850	\$ 77,918	\$ 322,363	\$ 403,131
Accounts receivable	585	--	--	585
Inventory	3,564	--	--	3,564
Due from other funds	359,550	--	--	359,550
<i>Total Assets</i>	<u>366,549</u>	<u>77,918</u>	<u>322,363</u>	<u>766,830</u>
LIABILITIES				
Accounts payable	\$ 63,481	\$ --	\$ --	\$ 63,481
Unearned revenue	5,692	--	--	5,692
<i>Total Liabilities</i>	<u>69,173</u>	<u>--</u>	<u>--</u>	<u>69,173</u>
FUND BALANCE				
Nonspendable	3,564	--	--	3,564
Restricted	293,812	77,918	322,363	694,093
Unassigned	--	--	--	--
<i>Total Fund Balance</i>	<u>297,376</u>	<u>77,918</u>	<u>322,363</u>	<u>697,657</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 366,549</u>	<u>\$ 77,918</u>	<u>\$ 322,363</u>	<u>\$ 766,830</u>

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

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Debt Retirement</u>	<u>Capital Projects</u>	
Revenues				
Local sources	\$ 47,125	\$ 356,307	\$ 3,097	\$ 406,529
State sources	19,271	14,519	--	33,790
Federal sources	735,484	--	--	735,484
Total Revenues	<u>801,880</u>	<u>370,826</u>	<u>3,097</u>	<u>1,175,803</u>
Expenditures				
Food services	885,930	--	--	885,930
Capital outlay	--	--	398,346	398,346
Debt service - principal	--	345,000	--	345,000
Debt service - interest and fiscal charges	--	36,250	--	36,250
Total Expenditures	<u>885,930</u>	<u>381,250</u>	<u>398,346</u>	<u>1,665,526</u>
Excess of Revenues Over (Under) Expenditures	<u>(84,050)</u>	<u>(10,424)</u>	<u>(395,249)</u>	<u>(489,723)</u>
Net Change in Fund Balance	<u>(84,050)</u>	<u>(10,424)</u>	<u>(395,249)</u>	<u>(489,723)</u>
<i>Fund Balance at Beginning of Period</i>	381,426	88,342	717,612	1,187,380
Fund Balance at End of Period	<u>\$ 297,376</u>	<u>\$ 77,918</u>	<u>\$ 322,363</u>	<u>\$ 697,657</u>



**WHITE PIGEON COMMUNITY SCHOOLS
ST. JOSEPH COUNTY, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2023**

White Pigeon Community Schools
Schedule of Expenditures of Federal Awards
June 30, 2023

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Assistance Listing Number</i>	<i>Program or Award Amount</i>	<i>Accrued Revenue at July 1, 2022</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2023</i>
U.S. Department of Agriculture:						
<i>Passed Through Michigan Department of Education:</i>						
Child Nutrition Cluster:						
221970 National School Breakfast Program-CEP	10.553	\$ 24,662	\$ -	\$ 24,662	\$ 24,662	\$ -
231970 National School Breakfast Program-CEP	10.553	130,807	-	129,227	130,807	1,580
221971 National School Breakfast Program-SSO	10.553	152,736	3,100	3,100	-	-
221960 National School Lunch Program-CEP	10.555	51,464	-	51,464	51,464	-
231960 National School Lunch Program-CEP	10.555	276,220	-	274,490	276,220	1,730
221961 National School Lunch Program-SSO	10.555	361,683	4,257	4,257	-	-
230910 Supply Chain Assistance	10.555	12,304	-	12,304	12,304	-
Non-cash Assistance (NSLP-USDA Commodities)	10.555	50,304	-	-	50,304	-
Non-cash Assistance (NSLP-USDA Commodities Bonus)	10.555	6,694	-	-	6,694	-
220900 Summer Food Service Program	10.559	89,621	-	89,621	89,621	-
220904 National School Lunch Program-Extended SFSP	10.559	10,884	10,884	10,884	-	-
230900 Summer Food Service Program	10.559	93,409	-	-	93,409	93,409
Total Child Nutrition Cluster		1,260,788	18,241	600,009	735,485	96,719
220980 COVID-19 Pandemic EBT Local Level Costs	10.649	628	-	628	628	-
Total U.S. Department of Agriculture		1,261,416	18,241	600,637	736,113	96,719
U.S. Department of Education:						
Title I, Part A - Educationally Deprived						
221530 2122	84.010	186,634	47,323	47,323	-	-
231530 2223	84.010	205,554	-	86,407	188,226	101,819
Total Title I, Part A		392,188	47,323	133,730	188,226	101,819
Title II, Part A - Improving Teacher Quality State Grants						
220520 2122	84.367	27,437	904	904	-	-
230520 2223	84.367	36,359	-	16,513	34,261	17,748
Total Title II, Part A		\$ 63,796	\$ 904	\$ 17,417	\$ 34,261	\$ 17,748

See Notes to the Schedule of Expenditures of Federal Awards

White Pigeon Community Schools
Schedule of Expenditures of Federal Awards
June 30, 2023

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Assistance Listing Number</i>	<i>Program or Award Amount</i>	<i>Accrued Revenue at July 1, 2022</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2023</i>
U.S. Department of Education (continued):						
Title IV, Part A - Student Support and Academic Enrichment						
220750 2122	84.424	\$ 21,407	\$ 6,938	\$ 6,938	\$ -	\$ -
230750 2223	84.424	13,191	-	7,260	8,832	1,572
Total Title IV, Part A		34,598	6,938	14,198	8,832	1,572
ESSER						
COVID-19 213712 2021-ESSER II Formula	84.425D	620,613	15,540	15,540	-	-
COVID-19 213713 2122-ARP/ESSER III Formula	84.425U	1,394,798	506,106	1,297,970	791,863	-
Total ESSER		2,015,411	521,646	1,313,510	791,863	-
Total Passed Through Michigan Department of Education		3,767,409	595,052	2,079,492	1,759,295	217,858
Total U.S. Department of Education (Passed through Michigan Department of Ed)		2,505,993	576,811	1,478,855	1,023,182	121,139
U.S. Department of Education:						
Passed Through Three Rivers Community School District:						
22-23 Title III Pt A English Language Learner 210580-2023	84.031A	2,807	-	2,807	2,807	-
Total U.S. Department of Education (Passed through Three Rivers)		2,807	-	2,807	2,807	-
U.S. Department of Health and Human Services:						
Passed Through St. Joseph ISD:						
22-23 Medicaid Outreach (Medicaid Cluster)	93.778	4,043	-	4,043	4,043	-
Total U.S. Department of Health and Human Services		4,043	-	4,043	4,043	-
Total Federal Financial Assistance		\$ 3,774,259	\$ 595,052	\$ 2,086,342	\$ 1,766,145	\$ 217,858

See Notes to the Schedule of Expenditures of Federal Awards

White Pigeon Community Schools

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

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

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

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

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

Note 3 - Noncash Assistance

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

White Pigeon Community Schools

Notes to the Schedule of Expenditures of Federal Awards

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

The federal revenues reported in the fund financial statements of \$1,766,145 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
White Pigeon Community Schools
White Pigeon, 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 White Pigeon Community Schools (the "School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 20, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Purpose of This Report

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

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Sturgis, MI
October 20, 2023

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

To the Board of Education
White Pigeon Community Schools
White Pigeon, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

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

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Sturgis, MI
October 20, 2023

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Identification of Major Programs

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

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No prior year matters were reported.

October 20, 2023

To the Board of Education
White Pigeon Community Schools
White Pigeon, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the White Pigeon Community Schools (the “School”) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 28, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There were no new accounting policies adopted, except as stated in Note 16 to the financial statements, the application of existing policies was not changed during the fiscal year ended June 30, 2023. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

- The assumptions used in the calculations of lease and SBITA liabilities and intangible right to use assets.

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 20, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated October 20, 2023.

Other Matters

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

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

Restriction on Use

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

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Sturgis, MI