UHY LLP
Certified Public Accountants

FRANKFORT-ELBERTA AREA SCHOOLS

FRANKFORT, MICHIGAN

JUNE 30, 2023

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

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UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Frankfort-Elberta Area Schools
Frankfort, 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 Frankfort-Elberta Area Schools, Frankfort, Michigan as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 Frankfort-Elberta Area Schools, 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 Frankfort-Elberta Area Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Frankfort-Elberta Area Schools' 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 judgement 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 judgement 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 Frankfort-Elberta Area Schools' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Frankfort-Elberta Area Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 4-12 and 49-54 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 Frankfort-Elberta Area Schools' basic financial statements. The accompanying combining nonmajor fund financial statements 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 nonmajor fund financial statements, 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 September 11, 2023, on our consideration of Frankfort-Elberta Area Schools' 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 Frankfort-Elberta Area Schools' 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 Frankfort-Elberta Area Schools' internal control over financial reporting and compliance.

UHY LLP

Cadillac, Michigan
September 11, 2023

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

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

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Financial Highlights Section

Government-Wide

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $1,038,182, creating a deficit net position amount. Of this amount net capital assets net of related debt was $8,239,222.

- The District's total net deficit decreased by $1,033,629.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $8,004,510, a decrease of $1,936,284 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $2,998,314.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District's assets and liabilities. All of the year's revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

In the government-wide financial statements, the District's activities are all shown in one category titled "Governmental Activities". These activities, including instruction, supporting services, food service, community services, other transactions, and interest on long-term debt are primarily financed with state and federal aids and property taxes.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called "non-major" funds. Detailed financial information for non-major funds can be found in the combining fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds **–** The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily 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 to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-48 of this report.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30.

	2023	2022
Assets		
Current Assets	$ 10,782,126	$ 11,186,649
Capital Assets	17,404,653	14,878,303
Less: Accumulated Depreciation	(6,497,658)	(6,203,412)
Total Non Current Assets	10,906,995	8,674,891
Total Assets	21,689,121	19,861,540
Deferred Outflows of Resources	6,171,945	3,668,981
Liabilities		
Current Liabilities	3,441,229	1,983,812
Long-Term Liabilities	22,390,916	17,488,923
Total Liabilities	25,832,145	19,472,735
Deferred Inflows of Resources	3,067,103	6,129,597
Net Position		
Net Investment in Capital Assets	8,239,222	7,659,806
Restricted for Specific Purposes	40,598	155,769
Unrestricted (Deficit)	(9,318,002)	(9,887,386)
Total Net Position (Deficit)	$ (1,038,182)	$ (2,071,811)

Analysis of Financial Position

During the fiscal year ended June 30, 2023, the District's net position increased by $1,033,629. A few of the more significant factors affecting net position during the year are discussed below.

1. Depreciation Expense

GASB 34 requires school districts to maintain records of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2023, $492,238 was recorded for depreciation expense.

2. ***Pension and Other Postemployment Benefits Expense***

GASB 68 and 75 now require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension and net other postemployment benefit liabilities increases or decreases in any given year.

3. ***Capital Outlay Acquisitions***

For the fiscal year ended June 30, 2023, $2,724,342 of expenditures for equipment and improvements were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, the current year's depreciation, and the current year disposals is an increase to capital assets in the amount of $2,232,104 for the fiscal year ended June 30, 2023.

Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30.

	2023	2022
Revenues		
General Revenues		
Property Taxes	$ 7,514,180	$ 7,077,423
State Sources	208,382	21,120
Investment Earnings	423,428	15,565
Other	8,076	167,884
Program Revenues		
Charges for Services	623,500	396,984
Operating Grants and Contributions	2,659,687	2,472,270
Capital Grants and Contributions	0	0
Total Revenues	11,437,253	10,151,246

	2023	2022
Expenses		
Instruction	5,536,666	4,828,620
Support Services	3,668,106	2,993,618
Food Services	435,235	404,802
Community Service	27,251	0
Other Transactions	10,413	7,222
Facilities Acquisition, Construction, and Improvements	0	3,607
Interest on Long-Term Debt	233,715	55,074
Bond Issuance - Costs	0	160,660
Depreciation - Unallocated	492,238	445,263
Total Expense	10,403,624	8,898,866
Change in Net Position	$ 1,033,629	$ 1,252,380

Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2023	2022	Increase (Decrease)
Major Funds			
General Fund	$ 3,005,392	$ 2,450,285	$ 555,107
2021 Capital Projects Fund	538	322,357	(321,819)
2022 Capital Projects Fund	4,409,359	6,494,813	(2,085,454)
Nonmajor Funds			
Food Service	28,098	59,049	(30,951)
School Activity Fund	301,181	275,568	25,613
Community Service Fund	62,805	46,336	16,469
2015 Debt Service Fund	16,578	14,024	2,554
2018 Debt Service Fund	0	54,913	(54,913)
2021 Debt Service Fund	43,335	14,789	28,546
2022 Debt Service Fund	24,298	100,000	(75,702)
2018 Capital Projects Fund	51	49	2
Public Improvement Capital Projects Fund	112,875	108,611	4,264
Total Governmental Funds	$ 8,004,510	$ 9,940,794	$ (1,936,284)

The District's governmental funds reported combined fund balances of $8,004,510, a decrease of $1,936,284 over last year's ending fund balances of $9,940,794.

The fund balance of the District's General Fund increased by $555,107 during the current fiscal year bringing the fund balance to $3,005,392. This increase is due to increased tax revenues and state revenues during the fiscal year. Additionally, the General Fund did not transfer any money out this year. $7,078 of the fund balance is assigned while the remaining balance of $2,998,314 is unassigned.

The 2021 Capital Projects Fund decreased its fund balance by $321,819 bringing the fund balance to $538. The entire amount is restricted for capital projects. The decrease is due to spending on capital improvements and assets.

The 2022 Capital Projects Fund decreased its fund balance by $2,085,454 bringing the fund balance to $4,409,359. The entire amount is restricted for capital projects. The decrease is due to spending on capital improvements and assets.

The Food Service Fund decreased its fund balance by $30,951 bringing the fund balance to $28,098, due to a decrease in federal funding from all kids being back on the national school lunch program this year compared to the prior year being on the seamless summer option all year. $11,832 of the fund balance is nonspendable for inventory and $16,266 is restricted for food service.

The School Activity Fund increased its fund balance by $25,613 bringing the fund balance to $301,181 due to an increase in donations and fundraising received this year. The entire fund balance is committed for school activities.

The Community Service Fund increased its fund balance by $16,469 brining the fund balance to $62,805, due to the large amount of state and federal funds received during the year and the increase in tuition being greater than the related expenditures. The entire fund balance is committed for community services.

The 2015 Debt Service Fund ended the year with a $16,578 fund balance, an increase of $2,554 from the prior year. The increase is due to collecting more tax revenue than debt payments made during the fiscal year. The entire balance is restricted for debt service.

The 2018 Debt Service Fund ended the year with a $0 fund balance, a decrease of $54,913 from the prior year. The decrease is due to transferring out the remaining balance to the 2021 Debt Service Fund.

The 2021 Debt Service Fund ended the year with a $43,335 fund balance, an increase of $28,546 from the prior year. The increase is due to collecting more tax revenue than debt payments made during the fiscal year along with the transfer in from the 2018 Debt Service Fund. The entire balance is restricted for debt service.

The 2022 Debt Service Fund ended the year with a $24,298 fund balance, a decrease of $75,702 from the prior year. The decrease is due to colleting less tax revenue than debt payments made during the fiscal year. The entire balance is restricted for debt service.

The 2018 Capital Projects Fund increased its fund balance by $2 bringing the fund balance to $51. The entire amount is restricted for capital projects. The increase is due to receiving only interest income and having no expenditures.

The Public Improvement Capital Projects Fund increased its fund balance by $4,264 bringing the fund balance to $112,875. The entire amount is restricted for capital projects. The increase is due to receiving only interest income and having no expenditures.

General Fund Budgetary Highlights

The Uniform Accounting and Budgeting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2022-2023 fiscal year, the District amended the General Fund at various times throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES	$ 8,383,314	$ 9,470,310	$ 9,402,077
EXPENDITURES AND OUTGOING TRANSFERS			
Instruction	$ 5,366,602	$ 5,565,157	$ 5,431,281
Supporting Services	3,024,111	3,566,373	3,405,276
Community Services	100	0	0
Other Transactions	4,000	11,000	10,413
Outgoing Transfers	60,000	60,000	0
Total Expenditures and Outgoing Transfers	$ 8,454,813	$ 9,202,530	$ 8,846,970

The original revenue budget of $8,383,314 was increased to $9,470,310 due to more local and state revenues and other transactions than originally anticipated. The original expenditure budget of $8,454,813 was increased to $9,202,530 due to anticipating having more expenditures related to the anticipated increase of revenues.

The difference between the final budgeted and actual revenues is due to the District receiving more in local and state sources and less in federal and other sources than originally budgeted for. The main reason for the difference between the final budgeted and actual expenditures is due to the fact that the District budgets for the worst-case scenario.

Capital Asset and Debt Administration

Capital Assets. By the end of fiscal year 2023, the District had invested $17,404,653 in a broad range of capital assets, including school buildings, land, athletic facilities, computer and audio-visual equipment and administrative offices. Total depreciation expense for the year was $492,238. These investments are summarized as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital Assets	$ 14,878,303	$ 2,724,342	$ 197,992	$ 17,404,653
Less: Accumulated Depreciation	(6,203,412)	(492,238)	(197,992)	(6,497,658)
Net Investment Capital Outlay	$ 8,674,891	$ 2,232,104	$ 0	$ 10,906,995

Additions to capital assets included:

- Stair railings in the amount of $8,478.
- Locker replacement project in the amount of $16,145.
- Gym door replacement project in the amount of $85,714.
- Asphalt improvements in the amount of $15,384.
- AC replacement in the amount of $9,577.
- Flooring in the amount of $6,350.
- Building improvements in the amount of $2,421,211.
- Surveillance/security camera upgrades in the amount of $42,765.
- Tech renovations in the amount of $74,991.
- iPads and Chromebooks in the amount of $16,560.
- Projectors in the amount of $9,234.
- Floor scrubber in the amount of $11,983.
- Mobile bench tables in the amount of $5,950.

Disposals of capital assets included:

- Two buses.
- GMC Sierra pickup with plow.

As of June 30, 2023, the District has committed to the following projects and purchases:

- HS/MS building improvement project in the amount of $6,882,301 of which $2,360,096 is completed and $4,522,205 is the balance to be completed.
- Technology network upgrades in the amount of $187,865 of which $117,992 will be covered by district funds and the remaining $69,873 will be covered with E-Rate funding.
- New truck and two new plows in the amount of $71,140.

Additional information on the District's capital assets can be found in the notes to this report.

Long-Term Obligations. At year-end, the District had total bonded debt, accrued sick leave, net pension and other postemployment liability outstanding of $23,010,916, net of bond discounts and premiums.

Additional information on the District's long-term obligations can be found in the notes to this report.

Factors Bearing on the District's Future

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

- The current retirement rate for the next fiscal year is expected to be 48.23%. We are concerned about how the future retirement rates will be calculated with changes in legislation.

- The District continues to monitor certain one-time funding sources, primarily federal funding due to pandemic recovery efforts. As these funding sources go away, it is unlikely that the revenue received from these sources will be made up.

- State-wide pressures for equity in the funding of schools always poses the possibility that the State of Michigan could make changes in the funding structure for schools and that the District's "out-of-formula" status could be changed. Although not anticipated, district officials must plan for the eventual possibility of significantly less dollars per student should these demands for equity result in changes in state school funding.

- The District has finalized teacher and support staff contracts for the 2023-2024 school year.

- The District has been affected by supply chain shortages for many supplies and products that are used in day-to-day activities. We are hopeful in future years the shortages will become less significant, especially with upcoming bond projects.

- The District has faced significant staffing challenges for almost all positions including, but not limited to, full time teaching staff, substitute teacher staff, and other support staff.

Request for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent, Frankfort-Elberta Area Schools, 534 11th Street, Frankfort, Michigan 49635.

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

STATEMENT OF NET POSITION
JUNE 30, 2023

		GOVERNMENTAL ACTIVITIES
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	1,077,395
Accounts Receivable		1,062
Due from Other Governments		1,145,447
Inventory		11,832
Investments		1,946,172
Restricted Investments		6,600,218
Total Current Assets		10,782,126
NON CURRENT ASSETS		
Capital Assets (Net of Accumulated Depreciation)		
Assets Not Being Depreciated		2,803,207
Assets Being Depreciated		8,103,788
Total Non Current Assets		10,906,995
TOTAL ASSETS		21,689,121
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Loss on Bond Refunding		80
Deferred Outflows Related to Pensions		4,905,233
Deferred Outflows Related to Other Postemployment Benefits		1,266,632
TOTAL DEFERRED OUTFLOWS OF RESOURCES		6,171,945

The notes to the financial statements are an integral part of this statement.

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

STATEMENT OF NET POSITION
JUNE 30, 2023

	GOVERNMENTAL ACTIVITIES
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	1,649,332
Salaries Payable and Related Expenses	970,342
Due to Other Governments	43,090
Unearned Revenue	114,852
Accrued Interest Payable	43,613
Current Portion of Long-Term Liabilities	620,000
Total Current Liabilities	3,441,229
NONCURRENT LIABILITIES	
Bonds Payable - Net	7,190,596
Accumulated Sick Leave	66,996
Net Pension Liability	14,917,923
Net Other Postemployment Benefit Liability	835,401
Less Current Portion of Non Current Liabilities	(620,000)
Total Non Current Liabilities	22,390,916
TOTAL LIABILITIES	25,832,145
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	1,279,394
Deferred Inflows Related to Other Postemployment Benefits	1,787,709
TOTAL DEFERRED INFLOWS OF RESOURCES	3,067,103
NET POSITION	
Net Investment in Capital Assets	8,239,222
Restricted for Debt Service	40,598
Unrestricted (Deficit)	(9,318,002)
TOTAL NET POSITION (DEFICIT)	$ (1,038,182)

The notes to the financial statements are an integral part of this statement.

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

FUNCTIONS/PROGRAM	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES: NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 5,536,666	$ 161,865	$ 1,723,730	$ 0	$ (3,651,071)
Supporting Services	3,668,106	356,462	594,043	0	(2,717,601)
Food Service	435,235	105,173	330,355	0	293
Community Services	27,251	0	11,559	0	(15,692)
Other Transactions	10,413	0	0	0	(10,413)
Interest on Long-Term Debt	233,715	0	0	0	(233,715)
Depreciation-Unallocated	492,238	0	0	0	(492,238)
TOTAL GOVERNMENTAL ACTIVITIES	$ 10,403,624	$ 623,500	$ 2,659,687	$ 0	(7,120,437)
GENERAL REVENUES					
Property Taxes - General Purpose					6,663,287
Property Taxes - Debt Service					850,893
State Sources					208,382
Investment Earnings					423,428
Other					8,076
Total General Revenues					8,154,066
Change in Net Position					1,033,629
NET POSITION - Beginning of Year (Deficit)					(2,071,811)
NET POSITION - End of Year (Deficit)					$ (1,038,182)

The notes to the financial statements are an integral part of this statement.

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	GENERAL FUND	2021 CAPITAL PROJECTS FUND	2022 CAPITAL PROJECTS FUND	OTHER NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	$ 760,346	$ 0	$ 0	$ 317,049	$ 1,077,395
Accounts Receivable	1,062	0	0	0	1,062
Due from Other Funds	786,540	9,833	0	65,966	862,339
Due from Other Governments	881,323	0	0	264,124	1,145,447
Inventory	0	0	0	11,832	11,832
Investments	1,770,354	0	0	175,818	1,946,172
Restricted Investments	0	538	6,599,629	51	6,600,218
TOTAL ASSETS	$ 4,199,625	$ 10,371	$6,599,629	$ 834,840	$ 11,644,465
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 47,351	$ 0	$1,596,061	$ 5,920	$ 1,649,332
Salaries Payable	383,688	0	0	0	383,688
Accrued Expenditures	586,654	0	0	0	586,654
Due to Other Governments	43,090	0	0	0	43,090
Due to Other Funds	24,692	9,833	594,209	233,605	862,339
Unearned Revenue	108,758	0	0	6,094	114,852
Total Liabilities	1,194,233	9,833	2,190,270	245,619	3,639,955
FUND BALANCES					
Nonspendable:					
Inventory	0	0	0	11,832	11,832
Restricted for:					
Food Service	0	0	0	16,266	16,266
Debt Service	0	0	0	84,211	84,211
Capital Projects	0	538	4,409,359	112,926	4,522,823
Committed for:					
School Activities	0	0	0	301,181	301,181
Community Services	0	0	0	62,805	62,805
Assigned for:					
Subsequent Year Budget Shortfall	7,078	0	0	0	7,078
Unassigned	2,998,314	0	0	0	2,998,314
Total Fund Balances	3,005,392	538	4,409,359	589,221	8,004,510
TOTAL LIABILITIES AND FUND BALANCES	$ 4,199,625	$ 10,371	$6,599,629	$ 834,840	$ 11,644,465

The notes to the financial statements are an integral part of this statement.

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Governmental Fund Balances		$ 8,004,510
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	$ 17,404,653	
Accumulated depreciation is	(6,497,658)	10,906,995
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(6,815,000)
Bond Premium		(375,596)
Accumulated Sick Leave		(66,996)
Net Pension Liability		(14,917,923)
Net Other Postemployment Benefit Liability		(835,401)
Deferred outflows and (inflows) of resources are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources - related to loss on bond refunding		80
Deferred outflows of resources - related to pensions		4,905,233
Deferred inflows of resources - related to pensions		(1,279,394)
Deferred outflows of resources - related to other postemployment benefits		1,266,632
Deferred inflows of resources - related to other postemployment benefits		(1,787,709)
Accrued interest is not included as a liability in government funds; it is recorded when paid.		(43,613)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (1,038,182)

The notes to the financial statements are an integral part of this statement.

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	GENERAL FUND	2021 CAPITAL PROJECTS FUND	2022 CAPITAL PROJECTS FUND	OTHER NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Local Sources	$ 6,866,164	$ 6,849	$ 254,075	$ 1,440,926	$ 8,568,014
States Sources	1,803,759	0	0	279,193	2,082,952
Federal Sources	503,843	0	0	501,412	1,005,255
Other Revenue	228,311	0	0	0	228,311
Total Revenues	9,402,077	6,849	254,075	2,221,531	11,884,532
EXPENDITURES					
Instruction	5,431,281	0	0	515,423	5,946,704
Supporting Services	3,405,276	328,668	2,339,529	336,217	6,409,690
Food Services	0	0	0	475,259	475,259
Community Services	0	0	0	10,692	10,692
Other Transactions	10,413	0	0	0	10,413
Debt Service	0	0	0	968,058	968,058
Total Expenditures	8,846,970	328,668	2,339,529	2,305,649	13,820,816
Excess (Deficiency) of Revenues Over Expenditures	555,107	(321,819)	(2,085,454)	(84,118)	(1,936,284)
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	54,800	54,800
Transfers (Out)	0	0	0	(54,800)	(54,800)
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balance	555,107	(321,819)	(2,085,454)	(84,118)	(1,936,284)
FUND BALANCE - Beginning of Year	2,450,285	322,357	6,494,813	673,339	9,940,794
FUND BALANCE - End of Year	$ 3,005,392	$ 538	$4,409,359	$ 589,221	$ 8,004,510

The notes to the financial statements are an integral part of this statement.

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances Total Governmental Funds	$ (1,936,284)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures; in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(492,238)
Capital Outlay	2,724,342
Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued Interest Payable - Beginning of Year	27,957
Accrued Interest Payable - End of Year	(43,613)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it is a reduction of liabilities).	
Repayment of Debt	710,000
The issuance of long-term debt provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:	
Amortization of Bond Premium	40,319
Amortization of Loss on Refunding	(320)
Accumulated sick leave is reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accumulated Sick Leave - Beginning of Year	62,535
Accumulated Sick Leave - End of Year	(66,996)
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.	
Change in Pension Related Items	(145,309)
Change in Other Postemployment Benefit Related Items	600,515
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement date.	
Change in State Aid Funding for Pension	(447,279)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,033,629

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Frankfort-Elberta Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District ("the District") is located in Benzie County with its administrative offices located in Frankfort, Michigan. The District operates under an elected 7-member board of education and provides services to its 475 students. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2021 and 2022 Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital projects.

Other non-major funds:

The *Food Service Fund* accounts for revenue sources that are legally restricted to expenditures for food service activities in a special revenue fund.

The *Student Activity Fund* accounts for revenue sources that are committed to expenditures for school activities in a special revenue fund.

The *Community Service Fund* accounts for revenue sources that are committed to expenditures for community services in a special revenue fund.

The *2015, 2018, 2021, and 2022 Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Public Improvement Capital Projects Fund & 2018 Capital Projects Fund* accounts for financial resources used for the acquisition of capital assets or construction of major capital projects.

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

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

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current* *financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-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 timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term obligations are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District's approved budgets were adopted at the function level for the General and Special Revenue Funds. These are the legal enacted levels under the State Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board (the level at which expenditures may not legally exceed appropriations).

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a. In June, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.

b. A public hearing is conducted during June to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.

d. The Superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.

e. For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the School Board at its next regularly scheduled meeting.

f. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

g. Budgeted amounts are as originally adopted on June 13, 2022, or as amended by the School Board throughout the year.

2. Excess of Expenditures over Appropriations

	APPROPRIATIONS	EXPENDITURES
Student Activity Fund		
Supporting Services	$ 265,214	$ 282,614
Community Service Fund		
Supporting Services	19,603	53,603
Community Services	0	10,692

Expenditures over appropriations were funded by available fund balance and greater than anticipated revenues.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The 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.

2. Investments

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

3. Inventory and Prepaid Items

Inventory is valued at cost using the first in/first out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made 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.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. *Capital Assets*

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Donated capital assets are recorded at acquisition value at the date of donation. Land and construction in progress, if any, are not depreciated.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and Improvements	7-45 years
Equipment	5-10 years
Buses	10 years
Vehicles	5-7 years

The District's capitalization policy is to capitalize individual amounts exceeding $5,000.

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*. A deferred charge on refunding results from the difference in the carrying value of refunded obligation and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding obligation. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnotes 3.E and 3.F.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The 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 District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnotes 3.E and 3.F.

6. Defined Benefit Plans

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

7. Unearned Revenue

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue in the General Fund related to unspent state resources, in the Food Service Fund that is related to money received from students for meals in advance, and in the Community Service Fund related to unspent federal resources.

8. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities *Statement of Net Position*. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related obligation.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances 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 debt service expenditures.

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumption

Sometimes the 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 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.

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board 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 District for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the Superintendent to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally 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.

12. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

13. Restricted Assets

Certain investment resources are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants, and they are maintained in separate bank accounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2023 the foundation allowance was based on pupil membership counts taken in October 2022 and February 2022. For fiscal year ended June 30, 2023, the per pupil foundation allowance was $9,150 for Frankfort-Elberta Area Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2022 to August 2023. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

2. *Program Revenues*

Amounts reported as program revenue 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. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. *Property Taxes*

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed January 1 and are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

The various counties in which the District is located have tax revolving funds which allow the counties to pay off the various taxing units for their share of the current year real property taxes returned delinquent. Taxes receivable are uncollected delinquent personal property taxes.

For the year ended June 30, 2023, the District levied the following amounts per $1,000 of taxable valuation:

Fund	Mills
General Fund - Non-Principal Residence Exemption (PRE)	18.0000
General Fund - Commercial Personal Property	6.0000
Debt Service Funds - PRE, Non-PRE, and Commercial Personal Property	1.52

4. *Compensated Absences*

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits which are paid when the employee separates from service from the District. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability is recorded in the *Statement of Net Position* for such amounts.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2023.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of June 30, 2023, the District had deposits and investments subject to the following risks:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, the District's bank balance was $1,134,767 and $630,415 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the fiscal year was $1,077,395.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2023:

	Primary Government
Cash and Cash Equivalents	$ 1,077,395
Investments	1,946,172
Restricted Investments	6,600,218
	$ 9,623,785

Interest rate risk – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

	Fair Value	Weighted Average Maturity (Years)
MILAF+ Cash Management Class	$ 197,232	N/A
MILAF+ MAX Class	8,349,158	N/A
	$ 8,546,390	
Portfolio Weighted Average Maturity		N/A

1 Day Maturity Equals 0.0027, One Year Equals 1.000

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

	Fair Value	Standard & Poor's Rating
MILAF+ Cash Management Class	$ 197,232	AAAm
MILAF+ MAX Class	8,349,158	AAAm
	$ 8,546,390	

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available.

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

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF+ Cash Management Class	$ 197,232
MILAF+ MAX Class	8,349,158
	$ 8,546,390

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor are as follows:

	General	Nonmajor Funds	Total
Receivables			
Accounts	$ 1,062	$ 0	$ 1,062
Due from Other Governments	881,323	264,124	1,145,447
	$ 882,385	$ 264,124	$ 1,146,509

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

C. Capital Assets

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

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated				
Land	$ 381,996	$ 0	$ 0	$ 381,996
Construction in Progress	0	2,421,211	0	2,421,211
Total Capital assets, not being depreciated	381,996	2,421,211	0	2,803,207
Capital assets being depreciated				
Buildings and improvements	12,638,831	141,647	0	12,780,478
Equipment	1,284,200	161,484	0	1,445,684
Buses	504,448	0	170,326	334,122
Vehicles	68,828	0	27,666	41,162
Subtotal	14,496,307	303,131	197,992	14,601,446
Less accumulated depreciated for:				
Buildings and improvements	5,132,871	329,701	0	5,462,572
Equipment	693,546	120,893	0	814,439
Buses	319,330	33,412	170,326	182,416
Vehicles	57,665	8,232	27,666	38,231
Accumulated depreciation	6,203,412	492,238	197,992	6,497,658
Net capital assets being depreciated	8,292,895	(189,107)	0	8,103,788
Net Capital Assets	$ 8,674,891	$ 2,232,104	$ 0	$ 10,906,995

Depreciation for the fiscal year ended June 30, 2023, amounted to $492,238. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Retirement and Postemployment Benefits

Plan Description – The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www://michigan.gov/orsschools.

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.

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 of Michigan Investments Board serves as the investment fiduciary and custodian of the System.

Benefits Provided- Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided – Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later, including Pension Plus plan members, contribute at various graduated permanently fixed contribution rates from 3.0% to 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service their after would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 accounts. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution Plan that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) – Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current Pension Plus plan to newly hired employees as of February 1, 2018 and created a new optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

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.

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

Eligibility – A basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% to 7% for pension and 0% to 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other postemployment benefits (OPEB). 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan year. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	**Other Postemployment Benefit**
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately $1,901,700. Of the total pension contributions, approximately $1,864,500 was contributed to fund the Defined Benefit Plan and approximately $37,200 was contributed to fund the Defined Contribution Fund.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately $334,400. Of the total OPEB contributions, approximately $311,400 was contributed to fund the Defined Benefit Plan and approximately $23,000 was contributed to fund the Defined Contribution Fund.

These amounts, for both pension and OPEB, include contributions funded from State Revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

At June 30, 2023, the District reported a liability of $14,917,923 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the District's proportion was .03966613% and .04041024%.

MPSERS (Plan) Non-University Employers Net Pension Liability

	September 30, 2022	September 30, 2021
Total Pension Liability	$ 95,876,795,620	$ 86,392,473,395
Fiduciary Net Position	(58,268,076,344)	(62,717,060,920)
Net Pension Liability	$ 37,608,719,276	$ 23,675,412,475
Fiduciary Net Position as a Percentage of Total Pension Liability	60.77%	72.60%
Net Pension Liability as a Percentage of Covered Payroll	386.25%	261.68%

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

For the year ended June 30, 2023, the District recognized total pension expense of $2,009,819.

At June 30, 2023, the 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 expected and actual experience	$ 149,231	$ 33,355
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	1,066,356
Changes of assumptions	2,563,434	0
Net difference between projected and actual earnings on pension plan investments	34,983	0
Changes in proportion and differences between District contributions and proportionate share of contributions	370,562	179,683
District contributions subsequent to the measurement date	1,787,023	0
Total	$ 4,905,233	$ 1,279,394

$1,787,023 reported as deferred outflows of resources and $1,066,356 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended September 30,		Amount
2023	$	928,808
2024		655,751
2025		483,568
2026		837,045
	$	2,905,172

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

OPEB Liabilities

At June 30, 2023, the District reported a liability of $835,401 for its proportionate share of the 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 date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the District's proportion was 0.03944175% and 0.04115508%.

MPSERS (Plan) Non-University Employers Net OPEB Liability

		September 30, 2022		September 30, 2021
Total OPEB Liability	$	12,522,713,324	$	12,046,393,511
Fiduciary Net Position		(10,404,650,683)		(10,520,015,621)
OPEB Liability	$	2,118,062,641	$	1,526,377,890
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		83.09%		87.33%
OPEB Liability as a Percentage of Covered Payroll		21.75%		16.87%

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

For the year ended June 30, 2023, the District recognized total OPEB benefit of $289,076.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 1,636,230
Changes of assumptions	744,620	60,631
Net difference between projected and actual earnings on OPEB plan investments	65,293	0
Changes in proportion and differences between District contributions and proportionate share of contributions	175,598	90,848
District contributions subsequent to the measurement date	281,121	0
Total	$ 1,266,632	$ 1,787,709

$281,121 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ended September 30,	Amount
2023	$ (269,251)
2024	(245,804)
2025	(236,602)
2026	(17,753)
2027	(29,233)
Thereafter	(3,555)
	$ (802,198)

G. Actuarial Assumptions

Investment rate of return for Pension – 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus groups.

Investment rate of return for OPEB – 6.00% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including inflation at 2.75%.

Inflation – 3.0%

Mortality assumptions –

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan) and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit – Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

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 coverage 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.

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity Pools	25.00%	5.10%
Private Equity Funds	16.00%	8.70%
International Equity Pools	15.00%	6.70%
Fixed Income Pools	13.00%	-0.20%
Real Estate & Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	9.00%	2.70%
Real Return/Opportunistic Pools	10.00%	5.80%
Short-Term Investment Pools	2.00%	-0.50%
	100%	

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

Rate of Return

For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate

A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate

A single 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 school districts 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 project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	Pension	
1% Decrease	**Discount Rate**	**1% Increase**
$ 19,686,117	$ 14,917,923	$ 10,988,717

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

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

	OPEB	
1% Decrease	**Discount Rate**	**1% Increase**
$ 1,401,305	$ 835,401	$ 358,840

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate as well as what the District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	OPEB	
1% Decrease	**Healthcare Cost Trend Rates**	**1% Increase**
$ 349,826	$ 835,401	$ 1,380,469

H. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2022 Annual Comprehensive Financial Report.

I. Payables to the Pension and OPEB Plan

As of June 30, 2023, the District is current on all required pension and OPEB plan payments. As of June 30, 2023, the District reported payables in the amount of $342,184 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

J. Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation).

The District participates in distinct pools of educational institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

K. Long-Term Obligations

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the governmental long-term liability transactions for the District for the year ended June 30, 2023:

	COMPENSATED ABSENCES	GENERAL OBLIGATION BONDS	NET PENSION LIABILITY	NET OPEB LIABILITY	TOTAL
Balance, July 1, 2022	$ 62,535	$ 7,525,000	$ 9,567,291	$ 628,182	$ 17,783,008
Additions	7,551	0	6,700,703	507,660	7,215,914
Deletions	(3,090)	(710,000)	(1,350,071)	(300,441)	(2,363,602)
Balance, June 30, 2023	66,996	6,815,000	14,917,923	835,401	22,635,320
Less current portion	Unknown	(620,000)	Unknown	Unknown	(620,000)
Total due after one year	$ 66,996	$ 6,195,000	$ 14,917,923	$ 835,401	$ 22,015,320

The District's liability obligations at June 30, 2023, are comprised of the following issues:

General Obligation Bonds	
2015 School Improvement Bonds; due in annual installments of $150,000 through May 1, 2024; interest rate of 3.00%	$ 150,000
2021 School Improvement Bonds; due in annual installments of $325,000 through May 1, 2024; interest rate of 1.10%	325,000
2022 School Improvement Bonds; due in annual installments of $145,000 to $475,000 through May 1, 2040; interest rate of 4.00%	6,340,000
Compensated Absences	66,996
Net Pension Liability	14,917,923
Net Other Postemployment Benefit Liability	835,401
Total Long-Term Debt	$ 22,635,320

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2023, including interest payments of $2,534,075 are as follows:

YEAR ENDING JUNE 30,	Principal	Interest	Amounts Payable
2024	$ 620,000	$ 261,675	$ 881,675
2025	300,000	247,800	547,800
2026	310,000	235,800	545,800
2027	320,000	223,400	543,400
2028	335,000	210,600	545,600
2029-2033	1,830,000	843,800	2,673,800
2034-2038	2,150,000	454,000	2,604,000
2039-2040	950,000	57,000	1,007,000
	6,815,000	2,534,075	9,349,075
Compensated Absences	66,996	0	66,996
Net Pension Liability	14,917,923	0	14,917,923
Net Other Postemployment Benefit Liability	835,401	0	835,401
	$ 22,635,320	$ 2,534,075	$ 25,169,395

Interest expense for the year ended June 30, 2023 was approximately $233,715.

The annual requirements to amortize the compensated absences, net pension liability, and net other postemployment benefit liability are uncertain because it is unknown when the payments will be made.

Compensated absences, net pension liability, and net other postemployment benefit liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

L. Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amount
General Fund	Community Service Fund	$ 167,031
General Fund	Food Service Fund	6,508
General Fund	2022 Debt Service Fund	2,757
General Fund	2021 Capital Projects Fund	9,833
General Fund	2021 Debt Service Fund	16,035
General Fund	2022 Capital Projects Fund	584,376
Food Service Fund	Community Service Fund	18,011
2022 Debt Service Fund	General Fund	219
2015 Debt Service Fund	General Fund	1,210
2018 Debt Service Fund	General Fund	23,263
2022 Debt Service Fund	2018 Debt Service Fund	3,263
2021 Debt Service Fund	2018 Debt Service Fund	20,000
2021 Capital Projects Fund	2022 Capital Projects Fund	9,833
		$ 862,339

The outstanding balances between funds result mainly 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. All Interfund balances outstanding at June 30, 2023, are expected to be repaid within one year.

M. Interfund Transfers

Individual fund transfers at June 30, 2023, were:

Fund Transferred To	Funds Transferred From	Amount
2021 Debt Service Fund	2018 Debt Service Fund	$ 54,800

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

N. GASB Statement No. 87 – Leases

It has been determined that the District has leases as defined by GASB Statement No. 87. However, the total of these leases has been determined they are not significant enough to warrant disclosure.

O. GASB Statement No. 96 – Subscription-Based Information Technology Arrangements

It has been determined that the District has subscription-based information technology arrangements as defined by GASB Statement No. 96. However, the total of these subscription-based information technology arrangements has been determined they are not significant enough to warrant disclosure.

P. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

As of June 30, 2023, the District has committed to the following projects and purchases:

- HS/MS building improvement project in the amount of $6,882,301 of which $2,360,096 is completed and $4,522,205 is the balance to be completed.
- Technology network upgrades in the amount of $187,865 of which $117,992 will be covered by district funds and the remaining $69,873 will be covered with E-Rate funding.
- New truck and two new plows in the amount of $71,140.

2. Capital Projects Funds

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

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the 2021 Capital Projects Fund. The project for which the 2021 Capital Projects Fund were issued was considered complete on June 30, 2023, and the cumulative expenditures recognized for the construction period were $998,334.

3. Single Audit

Current federal guidelines require entities with federal expenditures exceeding $750,000 to have a "single audit" of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

Q. Upcoming Accounting Pronouncements

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement N*o. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2023

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Local Sources	$ 6,593,512	$ 6,831,771	$ 6,866,164
State Sources	1,066,476	1,774,800	1,803,759
Federal Sources	642,193	632,330	503,843
Other	81,133	231,409	228,311
Total Revenues	8,383,314	9,470,310	9,402,077
EXPENDITURES			
Instruction			
Basic Programs	4,808,732	4,973,007	4,847,266
Added Needs	557,870	592,150	584,015
Supporting Services			
Pupil	266,357	351,217	342,866
Instructional Staff	273,537	342,767	297,472
General Administration	428,976	451,537	444,770
School Administration	576,771	657,003	645,392
Business	37,237	76,696	75,925
Operations and Maintenance	951,507	1,026,981	1,019,626
Pupil Transportation Services	236,403	277,128	226,196
Athletics	253,323	383,044	353,029
Community Services	100	0	0
Other Transactions			
Payments to Other Governments	4,000	11,000	10,413
Total Expenditures	8,394,813	9,142,530	8,846,970
Excess (Deficiency) of Revenues Over Expenditures	(11,499)	327,780	555,107
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(60,000)	(60,000)	0
Net Change in Fund Balance	(71,499)	267,780	555,107
FUND BALANCE - Beginning of Year	2,414,909	2,450,285	2,450,285
FUND BALANCE - End of Year	$ 2,343,410	$ 2,718,065	$ 3,005,392

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)		0.03967%	0.04041%	0.03908%	0.03780%	0.03661%	0.03628%	0.03596%	0.03522%	0.03240%
District's proportionate share of net pension liability		$ 14,917,923	$ 9,567,291	$ 13,423,361	$ 12,517,145	$ 11,005,383	$ 9,401,872	$ 8,972,150	$ 8,602,538	$ 7,136,389
District's covered payroll		3,812,594	3,692,806	3,489,314	3,365,371	3,135,078	2,930,581	3,072,230	2,947,827	2,887,147
District's proportionate share of net pension liability as a percentage of its covered payroll		391.28%	259.08%	384.70%	371.94%	351.04%	320.82%	292.04%	291.83%	247.18%
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%

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2023

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions		$ 1,864,510	$ 1,354,439	$ 1,210,053	$ 1,071,507	$ 999,480	$ 933,441	$ 553,359	$ 572,943	$ 643,262
Contributions in relation to statutorily required contributions *		1,864,510	1,354,439	1,210,053	1,071,507	999,480	933,441	553,359	572,943	643,262
Contribution deficiency (excess)		$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered payroll		$ 4,111,542	$ 3,787,496	$ 3,637,781	$ 3,472,494	$ 3,307,883	$ 3,125,653	$ 3,013,041	$ 2,938,240	$ 2,943,993
Contributions as a percentage of covered payroll		45.35%	35.76%	33.26%	30.86%	30.22%	29.86%	18.37%	19.50%	21.85%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2023

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)					0.03944%	0.04116%	0.03952%	0.03694%	0.03694%	0.03641%
District's proportionate share of net OPEB liability					$ 835,401	$ 628,182	$ 2,117,086	$ 2,770,599	$ 2,936,192	$ 3,224,296
District's covered payroll					3,812,594	3,692,806	3,489,314	3,365,371	3,135,078	2,930,581
District's proportionate share of net OPEB liability as a percentage of its covered payroll					21.91%	17.01%	60.67%	82.33%	93.66%	110.02%
Plan fiduciary net position as a percentage of total OPEB liability					83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2023

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions					$ 311,439	$ 292,036	$ 289,131	$ 267,903	$ 253,048	$ 223,279
Contributions in relation to statutorily required contributions *					311,439	292,036	289,131	267,903	253,048	223,279
Contribution deficiency (excess)					$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered payroll					$ 4,111,542	$ 3,787,496	$ 3,637,781	$ 3,472,494	$ 3,307,883	$ 3,125,653
Contributions as a percentage of covered payroll					7.57%	7.71%	7.95%	7.72%	7.65%	7.14%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2023

Pension Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2022.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

OPEB Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2022.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2022 were:

Discount rate decreased to 6.00% from 6.95%.

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS				CAPITAL PROJECTS FUNDS		TOTAL
	FOOD SERVICE	SCHOOL ACTIVITY	COMMUNITY SERVICE	2015	2018	2021	2022	2018	PUBLIC IMPROVEMENT	NON-MAJOR GOVERNMENTAL
ASSETS										
Cash and Cash Equivalents	$ 0	$ 301,181	$ 0	$ 15,868	$ 0	$ 0	$ 0	$ 0	$ 0	$ 317,049
Due from Other Funds	18,011	0	0	1,210	23,263	20,000	3,482	0	0	65,966
Due from Other Governments	13,930	0	250,194	0	0	0	0	0	0	264,124
Inventory	11,832	0	0	0	0	0	0	0	0	11,832
Investments	0	0	0	0	0	39,370	23,573	0	112,875	175,818
Restricted Investments	0	0	0	0	0	0	0	51	0	51
TOTAL ASSETS	$ 43,773	$ 301,181	$ 250,194	$ 17,078	$ 23,263	$ 59,370	$ 27,055	$ 51	$ 112,875	$ 834,840
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts Payable	$ 3,573	$ 0	$ 1,847	$ 500	$ 0	$ 0	$ 0	$ 0	$ 0	$ 5,920
Due to Other Funds	6,508	0	185,042	0	23,263	16,035	2,757	0	0	233,605
Unearned Revenue	5,594	0	500	0	0	0	0	0	0	6,094
Total Liabilities	15,675	0	187,389	500	23,263	16,035	2,757	0	0	245,619
FUND BALANCES										
Nonspendable:										
Inventory	11,832	0	0	0	0	0	0	0	0	11,832
Restricted for:										
Food Service	16,266	0	0	0	0	0	0	0	0	16,266
Debt Service	0	0	0	16,578	0	43,335	24,298	0	0	84,211
Capital Projects	0	0	0	0	0	0	0	51	112,875	112,926
Committed for:										
School Activities	0	301,181	0	0	0	0	0	0	0	301,181
Community Services	0	0	62,805	0	0	0	0	0	0	62,805
Total Fund Balances	28,098	301,181	62,805	16,578	0	43,335	24,298	51	112,875	589,221
TOTAL LIABILITIES AND FUND BALANCES	$ 43,773	$ 301,181	$ 250,194	$ 17,078	$ 23,263	$ 59,370	$ 27,055	$ 51	$ 112,875	$ 834,840

FRANKFORT-ELBERTA AREA SCHOOLS
FRANKFORT, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS				CAPITAL PROJECTS FUNDS		TOTAL
	FOOD SERVICE	SCHOOL ACTIVITY	COMMUNITY SERVICE	2015	2018	2021	2022	2018	PUBLIC IMPROVEMENT	NON-MAJOR GOVERNMENTAL
REVENUES										
Local Sources	$ 105,173	$ 308,227	$ 161,865	$ 162,420	$ 52	$ 538,749	$ 160,174	$ 2	$ 4,264	$ 1,440,926
State Sources	47,105	0	224,940	1,364	0	4,467	1,317	0	0	279,193
Federal Sources	292,030	0	209,382	0	0	0	0	0	0	501,412
Total Revenues	444,308	308,227	596,187	163,784	52	543,216	161,491	2	4,264	2,221,531
EXPENDITURES										
Instruction	0	0	515,423	0	0	0	0	0	0	515,423
Supporting Services	0	282,614	53,603	0	0	0	0	0	0	336,217
Food Services	475,259	0	0	0	0	0	0	0	0	475,259
Community Services	0	0	10,692	0	0	0	0	0	0	10,692
Debt Service										
Principal	0	0	0	150,000	0	560,000	0	0	0	710,000
Interest and Fees	0	0	0	11,230	165	9,470	237,193	0	0	258,058
Total Expenditures	475,259	282,614	579,718	161,230	165	569,470	237,193	0	0	2,305,649
Excess (Deficiency) of Revenues Over Expenditures	(30,951)	25,613	16,469	2,554	(113)	(26,254)	(75,702)	2	4,264	(84,118)
OTHER FINANCING SOURCES (USES)										
Transfers In (Out)	0	0	0	0	(54,800)	54,800	0	0	0	0
Net Change in Fund Balance	(30,951)	25,613	16,469	2,554	(54,913)	28,546	(75,702)	2	4,264	(84,118)
FUND BALANCE - Beginning of Year	59,049	275,568	46,336	14,024	54,913	14,789	100,000	49	108,611	673,339
FUND BALANCE - End of Year	$ 28,098	$ 301,181	$ 62,805	$ 16,578	$ 0	$ 43,335	$ 24,298	$ 51	$ 112,875	$ 589,221