

**Fitzgerald Public Schools**

**Financial Statements**

**June 30, 2023**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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**Fitzgerald Public Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2023**

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**Members of the Board of Education**

Julia Yokel – President

Annie Covert – Vice President

Judy Furgal – Treasurer

Kimberly Lee – Secretary

Randel Meisner – Trustee

Khaja Shahab Ahmed – Trustee

Raymond De'Loatch – Trustee

**Administration**

Hollie Stange – Superintendent

Gina Cereska – Director of Business

Rebecca Wright – District Accountant

## **Independent Auditors' Report**

Management and the Board of Education  
Fitzgerald Public Schools  
Warren, 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 Fitzgerald Public Schools (the School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Prior Period Adjustment**

As described in Note 14 to the financial statements, the School District restated the Governmental Activities beginning net position to correct an error. Our opinions are not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

### **Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is 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 November 28, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan  
November 28, 2023

**Fitzgerald Public Schools**  
**Management’s Discussion and Analysis**  
**June 30, 2023**

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

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District’s finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these financial statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District’s operations in more detail than the government-wide financial statements by providing information about the School District’s most significant funds - the General Fund, 2016 Debt Refunding and 2019 Building & Site Fund, with all other funds presented in one column as nonmajor funds.

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

***Basic Financial Statements***

***District-wide Financial Statements***

***Fund Financial Statements***

***Notes to the Basic Financial Statements***

***Budgetary Information for General Fund***  
***(Required Supplementary Information)***

***Other Supplementary Information***

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

One of the most important questions asked about the School District is, “As a whole, what is the School District’s financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year’s revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District’s net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities



**Fitzgerald Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, childcare, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

**Reporting the School District's Most Significant Funds - Fund Financial Statements**

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

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

**Fitzgerald Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**The School District as a Whole**

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

	Governmental Activities	
	2023	2022
<b>Assets</b>		
Current and other assets	\$ 32,061,590	\$ 35,903,572
Property and equipment	<u>57,539,195</u>	<u>58,865,293</u>
Total assets	<u>89,600,785</u>	<u>94,768,865</u>
<b>Deferred Outflows of Resources</b>	<u>21,536,923</u>	<u>11,351,181</u>
<b>Liabilities</b>		
Current liabilities	7,767,661	9,826,868
Long-term liabilities	<u>111,559,747</u>	<u>84,709,193</u>
Total liabilities	<u>119,327,408</u>	<u>94,536,061</u>
<b>Deferred Inflows of Resources</b>	<u>12,201,017</u>	<u>27,359,283</u>
<b>Net Position</b>		
Net investment in capital assets	24,723,987	30,246,368
Restricted	5,790,792	5,603,772
Unrestricted	<u>(50,905,496)</u>	<u>(51,625,438)</u>
Total net deficit	<u>\$ (20,390,717)</u>	<u>\$ (15,775,298)</u>

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The School District's net deficit was \$20,390,717 at June 30, 2023. Net investment in capital assets totaling \$24,723,987, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net deficit was generated through the recording of the net pension and OPEB liability in accordance with the adoption of GASB 68 and GASB 75, respectively. The recording of the pension and OPEB liability and the balance of the government wide net deficit has no impact on the

**Fitzgerald Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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ability of the District to meet its day to day operations and the liability will be reduced through normal contributions prescribed by the State in the coming years.

The operating results of the General Fund will have a significant impact on the change in unrestricted net deficit from year to year. The results of this year's operations for the School District as a whole are reported in the statement of activities (see table below), which shows the changes in net deficit for fiscal years 2023 and 2022.

	Governmental Activities	
	2023	2022
<b>Revenue</b>		
Program Revenue		
Charges for services	\$ 1,795,484	\$ 1,818,889
Operating grants	17,656,188	16,818,630
General Revenue		
Property taxes	10,099,115	10,819,945
State foundation allowance	14,792,474	13,974,451
Other	<u>932,125</u>	<u>271,149</u>
Total revenue	<u>45,275,386</u>	<u>43,703,064</u>
 <b>Functions/Program Expenses</b>		
Instruction	20,050,438	13,342,189
Support services	16,090,860	14,336,912
Food services	2,003,816	1,828,237
Student/school activities	211,359	180,598
Community services	479,387	230,030
Interest on long-term debt	1,261,846	959,708
Depreciation (unallocated)	<u>3,575,518</u>	<u>5,927,499</u>
Total functions/program expenses	<u>43,673,224</u>	<u>36,805,173</u>
 <b>Increase in net position</b>	1,602,162	6,897,891
 <b>Net Deficit - beginning, as restated</b>	<u>(21,992,879)</u>	<u>(22,673,189)</u>
 <b>Net Deficit - end</b>	<u>\$ (20,390,717)</u>	<u>\$ (15,775,298)</u>

**Fitzgerald Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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As reported in the statement of activities, the cost of all of our governmental activities this year was \$43,673,224. Certain activities were partially funded from those who benefited from the programs (\$1,795,484) or by other governments and organizations that subsidized certain programs with grants and contributions (\$17,656,188). We paid for the remaining "public benefit" portion of our governmental activities with \$10,099,115 in taxes, \$14,792,474 in State foundation allowance, and \$932,125 in our other revenue, i.e., interest and general entitlements.

The School District experienced an increase in net position of \$1,602,162. The change in net position is the result of an increase in state and federal funding due to the COVID-19 pandemic.

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

**The School District's Funds**

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$24,585,972, which is a decrease of \$1,546,962 from last year. The primary reasons for the decrease are as follows:

- In the General Fund, our principal operating fund, the fund balance increased \$0.3 million over the prior year due to increased initiatives and cost saving efforts throughout the district.
- In the 2019 Building & Site Fund the fund balance decreased by \$1.2 million over the prior year due to the issuance of a bond in the current year.
- The Nonmajor Governmental Funds fund balances showed an increase of \$0.3 million. The increase is primarily due to current year capital projects including many upgrades to all district buildings. The Sinking Fund millage is available to fund specific capital projects allowed by State law and approved by the voters.

**Fitzgerald Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were minor revisions to the General Fund original budget due to adjustments in grant funding, student enrollment and differences between estimated cost savings and realized savings from the beginning of the school year.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2023, the School District had \$57,539,195 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of \$4,891,483, or 9 percent, from last year.

	2023	2022 (Restated)
Land	\$ 887,724	\$ 887,724
Construction in progress	3,970,179	6,537,775
Building and building improvements	111,370,433	101,010,626
Furniture and equipment	8,155,940	7,617,877
Buses and other vehicles	2,019,268	1,882,541
Total capital assets	126,403,544	117,936,543
Less accumulated depreciation	(68,864,349)	(65,288,831)
Net capital assets	\$ 57,539,195	\$ 52,647,712

We present more detailed information about our capital assets in the notes to the financial statements.

**Debt**

At the end of this year, the School District had \$41,765,000 in bonds outstanding versus \$38,680,000 in the previous year - a change of 8 percent. Those bonds consisted of the following:

	2023	2022
General obligation bonds	\$ 41,765,000	\$ 38,680,000

**Fitzgerald Public Schools**  
**Management’s Discussion and Analysis**  
**June 30, 2023**

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The State limits the amount of general obligation debt that schools can issue up to 15 percent of the assessed value of all taxable property within the School District’s boundaries. If the School District issues “qualified debt,” i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District’s outstanding unqualified general obligation debt of \$41,765,000 is significantly below the statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

**Economic Factors and Next Year’s Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District’s 2023-2024 fiscal year budgets. One of the most important factors affecting the district budget is our variable student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2023-2024 fiscal year is 90 percent and 10 percent of the student counts in September 2023 and February 2024, respectively. The 2023-24 Original budget was adopted in June 2023, based on an estimate of students that were enrolled in the district in September 2022, less 50 students. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State’s ability to fund local school operations. Once the final student count and related per-pupil funding are validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations. As with most school districts, salaries and fringes constitute over 80 percent of the total expenditures for the general fund. The Board of Education has acted through a concerted effort to reduce spending in all areas in order to maintain a positive general fund balance.

Since the School District’s revenue is heavily dependent on State funding and the health of the State’s School Aid Fund, the actual revenue received depends on the State’s ability to collect revenue to fund its appropriation to school districts. Due to increases in the State required contribution to the retirement system, increases in healthcare costs, and the continued instability of the State Aid Fund, the School District will be revisiting its originally approved budget to make the necessary adjustments throughout the year when changes are identified. The District will be revising the Original Budget for differences between projected and actual pupil enrollment, changes in State grant funding and any additional events which may have a significant impact on the financial health of the District.

**Contacting the School District’s Management**

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District’s finances and to show the School District’s accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

**Fitzgerald Public Schools**  
**Statement of Net Position**  
**June 30, 2023**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 22,596,067
Accounts receivable	376,510
Due from other governmental units	8,990,213
Inventory	25,738
Prepaid items	73,062
Capital assets not being depreciated	4,857,903
Capital assets – net of accumulated depreciation	52,681,292
Total assets	89,600,785
 <b>Deferred outflows of resources</b>	
Deferred amount relating to net pension liability	16,842,994
Deferred amount relating to net OPEB liability	4,636,701
Deferred amount on debt refunding	57,228
Total deferred outflows of resources	21,536,923

See Accompanying Notes to the Financial Statements

**Fitzgerald Public Schools**  
**Statement of Net Position**  
**June 30, 2023**

	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 1,590,569
Accrued salaries and related liabilities	1,808,630
Accrued expenditures	1,876,313
Unearned revenue	1,492,149
State aid anticipation note	1,000,000
Long-term liabilities	
Debt due within one year	2,885,000
Debt due in more than one year	44,756,224
Net pension liability	60,504,110
Net OPEB liability	3,414,413
Total liabilities	119,327,408
 <b>Deferred inflows of resources</b>	
Deferred amount relating to net pension liability	4,531,048
Deferred amount relating to net OPEB liability	7,669,969
Total deferred inflows of resources	12,201,017
Total liabilities and deferred inflows of resources	131,528,425
 <b>Net position</b>	
Net investment in capital assets	24,723,987
Restricted for:	
Food service	120,866
Debt service	2,250,885
Capital projects	3,419,041
Unrestricted (deficit)	(50,905,496)
Total net position	\$ (20,390,717)

See Accompanying Notes to the Financial Statements



**Fitzgerald Public Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

	Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 20,050,438	\$ -	\$ 13,674,297	\$ (6,376,141)
Supporting services	16,090,860	1,225,140	2,191,563	(12,674,157)
Food services	2,003,816	201,137	1,790,328	(12,351)
Student/school activities	211,359	229,176	-	17,817
Community services	479,387	140,031	-	(339,356)
Interest and fiscal charges on long-term debt	1,261,846	-	-	(1,261,846)
Depreciation – unallocated	3,575,518	-	-	(3,575,518)
Total governmental activities	\$ 43,673,224	\$ 1,795,484	\$ 17,656,188	(24,221,552)
General revenues				
Property taxes, levied for general purposes				4,865,220
Property taxes, levied for debt service				3,378,698
Property taxes, levied for sinking fund				1,855,197
State aid – unrestricted				14,792,474
Interest and investment earnings				519,038
Other				413,087
Total general revenues				25,823,714
Change in net position				1,602,162
Net position – beginning				(15,775,298)
Prior period adjustment				(6,217,581)
Net position – beginning, as restated				(21,992,879)
Net position – ending				\$ (20,390,717)

See Accompanying Notes to the Financial Statements

**Fitzgerald Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2023**

	General Fund	2016 Debt Refunding	2019 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 1,699,117	\$ 470,120	\$ 15,928,629	\$ 4,498,201	\$ 22,596,067
Accounts receivable	376,510	-	-	-	376,510
Due from other funds	3,477,014	157,786	348,456	2,735,766	6,719,022
Due from other governmental units	8,990,213	-	-	-	8,990,213
Inventory	-	-	-	25,738	25,738
Prepaid items	73,062	-	-	-	73,062
Total assets	<u>\$ 14,615,916</u>	<u>\$ 627,906</u>	<u>\$ 16,277,085</u>	<u>\$ 7,259,705</u>	<u>\$ 38,780,612</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 196,393	\$ -	\$ 1,120,308	\$ 273,868	\$ 1,590,569
State aid anticipation note	1,000,000	-	-	-	1,000,000
Due to other funds	3,241,351	1,657,303	1,254,711	565,657	6,719,022
Accrued salaries and related liabilities	1,808,630	-	-	-	1,808,630
Accrued expenditures	1,584,270	-	-	-	1,584,270
Unearned revenue	1,488,810	-	-	3,339	1,492,149
Total liabilities	<u>9,319,454</u>	<u>1,657,303</u>	<u>2,375,019</u>	<u>842,864</u>	<u>14,194,640</u>
<b>Fund balances</b>					
<b>Non-spendable</b>					
Inventory	-	-	-	25,738	25,738
Prepaid items	73,062	-	-	-	73,062
<b>Restricted for</b>					
Food service	-	-	-	120,866	120,866
Debt service	-	-	-	2,542,928	2,542,928
Capital projects	-	-	13,902,066	3,419,041	17,321,107
Committed	-	-	-	308,268	308,268
Unassigned (deficit)	5,223,400	(1,029,397)	-	-	4,194,003
Total fund balances (deficit)	<u>5,296,462</u>	<u>(1,029,397)</u>	<u>13,902,066</u>	<u>6,416,841</u>	<u>24,585,972</u>
Total liabilities and fund balances	<u>\$ 14,615,916</u>	<u>\$ 627,906</u>	<u>\$ 16,277,085</u>	<u>\$ 7,259,705</u>	<u>\$ 38,780,612</u>

See Accompanying Notes to the Financial Statements

**Fitzgerald Public Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2023**

<b>Total fund balances for governmental funds</b>	\$	24,585,972
Total net position for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets not being depreciated		4,857,903
Capital assets – net of accumulated depreciation		52,681,292
Deferred (inflows) outflows of resources		
Deferred outflows of resources resulting from debt refunding		57,228
Deferred inflows of resources resulting from net pension liability		(4,531,048)
Deferred outflows of resources resulting from net pension liability		16,842,994
Deferred inflows of resources resulting from net OPEB liability		(7,669,969)
Deferred outflows of resources resulting from net OPEB liability		4,636,701
Certain liabilities are not due and payable in the current period and are not reported in the funds.		
Accrued interest		(292,043)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Compensated absences		(866,722)
Bonds payable		(41,765,000)
Bonds premium		(5,009,502)
Net pension liability		(60,504,110)
Net OPEB liability		(3,414,413)
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(20,390,717)</u></b>

See Accompanying Notes to the Financial Statements

**Fitzgerald Public Schools**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**

	General Fund	2016 Debt Refunding	2019 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 5,468,847	\$ 1,356,773	\$ 2,479,380	\$ 2,248,449	\$ 11,553,449
State sources	24,253,258	-	-	96,026	24,349,284
Federal sources	5,875,581	-	-	1,863,424	7,739,005
Interdistrict sources	1,869,043	-	-	-	1,869,043
Total revenues	<u>37,466,729</u>	<u>1,356,773</u>	<u>2,479,380</u>	<u>4,207,899</u>	<u>45,510,781</u>
<b>Expenditures</b>					
Current					
Education					
Instruction	20,972,605	-	-	-	20,972,605
Supporting services	15,688,701	-	407	-	15,689,108
Food services	-	-	-	1,953,785	1,953,785
Student and school activities	-	-	-	206,082	206,082
Community services	467,418	-	-	-	467,418
Capital outlay	52,164	-	7,567,078	1,847,532	9,466,774
Debt service					
Principal	-	1,925,000	1,045,000	-	2,970,000
Interest and other expenditures	-	228,239	1,560,633	11	1,788,883
Bond issuance costs	-	-	32,091	-	32,091
Total expenditures	<u>37,180,888</u>	<u>2,153,239</u>	<u>10,205,209</u>	<u>4,007,410</u>	<u>53,546,746</u>
Excess (deficiency) of revenues over expenditures	<u>285,841</u>	<u>(796,466)</u>	<u>(7,725,829)</u>	<u>200,489</u>	<u>(8,035,965)</u>
<b>Other financing sources (uses)</b>					
Proceeds from issuance of bonds	-	-	6,055,000	-	6,055,000
Premium on issuance of bonds	-	-	434,003	-	434,003
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,489,003</u>	<u>-</u>	<u>6,489,003</u>
Net change in fund balances	285,841	(796,466)	(1,236,826)	200,489	(1,546,962)
Fund balances (deficit) – beginning	<u>5,010,621</u>	<u>(232,931)</u>	<u>15,138,892</u>	<u>6,216,352</u>	<u>26,132,934</u>
Fund balances (deficit) – ending	<u>\$ 5,296,462</u>	<u>\$ (1,029,397)</u>	<u>\$ 13,902,066</u>	<u>\$ 6,416,841</u>	<u>\$ 24,585,972</u>

See Accompanying Notes to the Financial Statements

**Fitzgerald Public Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

<b>Net change in fund balances – total governmental funds</b>	<b>\$</b>	<b>(1,546,962)</b>
Total change in net position reported for governmental activities in the statement of activities is different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Grants		(235,395)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense		(3,575,518)
Capital outlay		8,467,001
Expenses are recorded when incurred in the statement of activities.		
Interest		(418)
Compensated absences		(254,583)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows of resources related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.		
Net change in net pension liability		(22,649,431)
Net change in the deferrals related to the net pension liability		21,643,355
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows of resources related to the net OPEB liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.		
Net change in net OPEB liability		(1,018,299)
Net change in the deferrals related to the net OPEB liability		3,731,869

**Fitzgerald Public Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

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Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. 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. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Debt issued	\$ (6,055,000)
Repayments of long-term debt	2,970,000
Premiums on issuance of debt	(434,003)
Amortization of premiums	528,330
Amortization of deferred amount on refunding	<u>31,216</u>
 <b>Change in net position of governmental activities</b>	 <b><u>\$ 1,602,162</u></b>

**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Fitzgerald Public Schools (the School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District 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.

**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2016 Debt Refunding Fund – The 2016 Debt Refunding Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on the 2016 refunded debt.

2019 Building & Site Fund – The 2019 Building & Site Fund is used to record bond proceeds, the sinking fund property tax levy or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District’s Special Revenue Funds include the Food Service Fund and Student/School Activities Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Fund – The Debt Service Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt. The funds consist of the 2014B Refunding Debt Fund.

Capital Projects Funds – Capital Projects Funds are used to record bond proceeds, sinking fund property tax levy or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished. The funds consist of the 2000 Sinking Fund and the 2001 Sinking Fund.

**Assets, Liabilities and Net Position or Fund Balance**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2023, the rates are as follows per \$1,000 of assessed value:

General Fund	
Non-principal residence exemption	17.2741
Commercial personal property	5.2741
Debt Service Funds	5.8000
Sinking Funds	3.1847

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. Approximately 100% of the School District’s tax roll lies within Warren, Michigan.



**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Macomb and remitted to the School District by May 15.

Investments – Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect deposits that will be refunded or utilized in future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 – 50 years
Equipment and furniture	5 – 15 years
Buses and other vehicles	8 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of earned but not unused accumulated vacation and sick leave benefits as well as retirement severance pay. A liability for these amounts is reported in the governmental funds as it comes due for payment. The liability has been calculated using the termination method, in which employees who have a certain level of service will receive a retirement payout and the balance of their vacation and sick banks which is subject to individual employment contracts and collective bargaining agreements.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which is not materially different than the interest rate method required by GAAP. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements,

**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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.

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between

the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also include revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of education. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

#### **Use of Estimates**

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

#### **Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

#### **Adoption of New Accounting Standards**

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 Leases. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other

than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

#### **Upcoming Accounting and Reporting Changes**

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The School District is evaluating the impact that the above GASB will have on its financial reporting.

#### **Note 2 - Stewardship, Compliance, and Accountability**

##### **Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal yearend, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund but be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriation.

**Compliance - Bond Proceeds**

The 2019 Building & Site Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2019 and Building & Site Fund from the inception of the funds through the current fiscal year:

	2019 Building & Site Fund Series I	2019 Building & Site Fund Series II	2019 Building & Site Fund Series III
Revenues	\$ 25,002,538	\$ 22,103,589	\$ 6,456,912
Expenditures	25,002,538	14,658,435	-
Ending fund balance	<u>\$ -</u>	<u>\$ 7,445,154</u>	<u>\$ 6,456,912</u>

**Compliance – Sinking Funds**

The 2000 Capital Project Sinking Fund and 2001 Sinking Fund record capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised

School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

**Expenditures in Excess of Appropriations**

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Supporting services			
Instructional staff	\$ 2,756,748	\$ 2,847,401	\$ 90,653
General administration	470,637	485,153	14,516
Pupil transportation services	804,859	919,531	114,672
Central	1,316,090	1,561,403	245,313
Other	446,847	568,832	121,985
Community services	210,073	467,418	257,345
Capital outlay	-	52,164	52,164
Food Service Fund	1,804,250	1,953,785	149,535

**Deficit Fund Balance**

The 2016 Debt Refunding Fund has an unassigned deficit of \$1,029,897 as of June 30, 2023, however, the General Fund unassigned fund balance is greater than the deficit. Therefore, a deficit elimination plan is not required to be submitted.

**Note 3 - Deposits and Investments**

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash	<u>\$ 22,596,067</u>

**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$	8,101,239
Investments in securities, mutual funds, and similar vehicles		14,493,440
Petty cash and cash on hand		1,388
Total	\$	22,596,067

As of yearend, the School District had the following investments:

Investment	Fair Value	Rating Agency	Rating	Maturities
MILAF + Cash Management Class	\$ 14,405,990	Standard & Poor's	AAAm	N/A
MILAF + MAX Class	87,450	Standard & Poor's	AAAm	N/A
	\$ 14,493,440			

As of June 30, 2023, the net asset value of the School District's investment in MILAF + Portfolio (includes both the MILAF + Cash Management Class and MILAF + MAX Class) was \$14,493,440. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

Interest Rate Risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit Risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of Credit Risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$8,970,051 of the School District's bank balance of \$9,470,051 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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. As of June 30, 2023, none of the School District's investments were exposed to custodial credit risk.

**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Note 4 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 887,724	\$ -	\$ -	\$ 887,724
Construction-in-progress	6,537,775	2,507,132	5,074,728	3,970,179
Total capital assets not being depreciated	<u>7,425,499</u>	<u>2,507,132</u>	<u>5,074,728</u>	<u>4,857,903</u>
Capital assets being depreciated				
Buildings and improvements	101,010,626	10,359,807	-	111,370,433
Equipment and furniture	7,617,877	538,063	-	8,155,940
Buses and other vehicles	1,882,541	136,727	-	2,019,268
Total capital assets being depreciated	<u>110,511,044</u>	<u>11,034,597</u>	<u>-</u>	<u>121,545,641</u>
Less accumulated depreciation for				
Buildings and improvements	58,302,814	3,060,405	-	61,363,219
Equipment and furniture	6,029,837	361,930	-	6,391,767
Buses and other vehicles	956,180	153,183	-	1,109,363
Total accumulated depreciation	<u>65,288,831</u>	<u>3,575,518</u>	<u>-</u>	<u>68,864,349</u>
Net capital assets being depreciated	<u>45,222,213</u>	<u>7,459,079</u>	<u>-</u>	<u>52,681,292</u>
Net capital assets	<u>\$ 52,647,712</u>	<u>\$ 9,966,211</u>	<u>\$ 5,074,728</u>	<u>\$ 57,539,195</u>

Depreciation expense for the fiscal year ended June 30, 2023 amounted to \$3,575,518. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets service multiple functions.

**Construction Contracts**

At June 30, 2023, the School District had several uncompleted construction contracts in the capital projects fund. The remaining commitment on these construction contracts was approximately \$21,217,631. Remaining construction commitments are to be funded by the bond proceeds.

**Note 5 - Interfund Receivable and Payable**

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 565,000
General Fund	2016 Debt Refunding	1,657,303
General Fund	2019 Building & Site Fund	1,254,711
Nonmajor Governmental Funds	Nonmajor Governmental Funds	657
Nonmajor Governmental Funds	General Fund	2,735,109
2019 Building & Site Fund	General Fund	348,456
2016 Debt Refunding	General Fund	157,786
		<u>\$ 6,719,022</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

**Note 6 - Unearned Revenue**

Governmental funds report unearned revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Unearned revenue at year end consists of the following:

Prepaid lunch balances	\$ 3,339
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>1,488,810</u>
Total	<u>\$ 1,492,149</u>

**Fitzgerald Public Schools**  
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**Note 7 - State Aid Anticipation Note**

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30<sup>th</sup>. The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 1,500,000	\$ 1,000,000	\$ 1,500,000	\$ 1,000,000

**Note 8 - Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds payable					
General obligation bonds	\$ 38,680,000	\$ 6,055,000	\$ 2,970,000	\$ 41,765,000	\$ 2,695,000
Premium on bonds	5,166,261	434,003	590,762	5,009,502	-
Total bonds payable	43,846,261	6,489,003	3,560,762	46,774,502	2,695,000
Compensated absences	612,139	364,185	109,602	866,722	190,000
Total	\$ 44,458,400	\$ 6,853,188	\$ 3,670,364	\$ 47,641,224	\$ 2,885,000

For governmental activities, compensated absences are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consists of the following:

\$17,460,000 2019 Building & Site Bond due in annual installments of \$380,000 to \$1,385,000 through May 1, 2039, interest at 5.00%	\$ 15,250,000
\$8,660,000 2016 Refunding Serial Bond due in annual installments of \$1,880,000 to \$1,875,000 through May 1, 2025, interest at 4.00%	3,775,000
\$17,400,000 2019 Building & Site Bond Series II due in annual installments of \$420,000 to \$1,050,000 through May 1, 2041, interest at 4.00%	16,685,000
\$6,055,000 2023 Building & Site Bonds due in annual installments of \$100,000 to \$1,510,000 through May 1, 2043, interest at 5.00% to 5.25%	<u>6,055,000</u>
Total general obligation bonded debt	<u>\$ 41,765,000</u>

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Bonds		Total
	Principal	Interest	
2024	\$ 2,695,000	\$ 1,838,688	\$ 4,533,688
2025	2,985,000	1,774,576	4,759,576
2026	2,915,000	1,651,126	4,566,126
2027	3,130,000	1,513,626	4,643,626
2028	1,840,000	1,365,576	3,205,576
2029 - 2033	10,150,000	5,531,630	15,681,630
2034 - 2038	12,255,000	3,028,130	15,283,130
2039 - 2043	<u>5,795,000</u>	<u>519,866</u>	<u>6,314,866</u>
Total	<u>\$ 41,765,000</u>	<u>\$ 17,223,218</u>	<u>\$ 58,988,218</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$2,542,928 to pay this debt. Future debt and interest will be payable from future tax levies.

**Fitzgerald Public Schools**  
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**Compensated Absences**

Accrued compensated absences at year end consist of \$866,722 of vacation hours earned and vested and in accrued sick time benefits.

**Deferred Amounts on Refunding**

The advanced refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt. The amounts are presented on the statement of net position as deferred inflows and outflows. Activity in the current year is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred loss on refunding	\$ 88,444	\$ -	\$ 31,216	\$ 57,228

**Defeased Debt**

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 1, 2025. As of yearend, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2016 Issue refunded                      \$ 3,201,668

**Note 9 - Net Investment in Capital Assets**

The composition of net investment in capital assets as of June 30, 2023 was as follows:

Capital assets	
Capital assets not being depreciated	\$ 4,857,903
Capital assets, net of accumulated depreciation	<u>52,681,292</u>
Total capital assets	<u>57,539,195</u>
Unspent bond proceeds	<u>13,902,066</u>
Related debt	
General obligation bonds	(41,765,000)
Unamortized bond premiums	(5,009,502)
Deferred outflows on refunding	<u>57,228</u>
Total related debt	<u>(46,717,274)</u>
Net investment in capital assets	<u>\$ 24,723,987</u>

**Note 10 - Risk Management**

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

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had virtually no unemployment compensation expense for the year. No provision has been made for possible future claims.



**Fitzgerald Public Schools**  
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**Note 11 - Pension Plan**

**Plan Description**

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

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

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

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

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25

percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

**Contributions**

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

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

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

**Fitzgerald Public Schools**  
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Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.14%
Member Investment Plan	3.0 - 7.0%	20.14%
Pension Plus	3.0 - 6.4%	17.22%
Pension Plus 2	6.2%	19.93%
Defined Contribution	0.0%	13.73%

Required contributions to the pension plan from the School District were \$5,475,618 for the year ending September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$60,504,110 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was .1609 percent, which was an increase of .0010 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized pension expense of \$6,474,552 for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total pension contribution expense of \$5,929,750.

Section 147c of the State School Aid Act (MCL 388.1747c) was amended to include a one-time distribution to districts, intermediate districts, and other participating entities of MPSERS, which is referred to as Section 147c(2). Section 147c(2) is required to be forwarded to the state's ORS as additional assets being contributed to the retirement

system. This funding is a one-time, state payment toward the MPSERS unfunded liability and not part of the actuarially determined contributions and therefore not included in the above pension expense, pension contributions or related deferred inflows/outflows of resources. For the period ending June 30, 2023, the School District recognized in their financial statements an additional amount related to Section 147c(2) of \$1,610,604 in total pension expense and offset in state revenues.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 605,252	\$ (135,281)	\$ 469,971
Changes of assumptions	10,396,774	-	10,396,774
Net difference between projected and actual earnings on pension plan investments	141,882	-	141,882
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>225,528</u>	<u>(1,630,249)</u>	<u>(1,404,721)</u>
Total to be recognized in future	11,369,436	(1,765,530)	9,603,906
School District contributions subsequent to the measurement date	<u>5,473,558</u>	<u>(2,765,518)</u>	<u>-</u>
Total	<u>\$ 16,842,994</u>	<u>\$ (4,531,048)</u>	<u>\$ 9,603,906</u>

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Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. The District will offset the contribution expense in the year ended June 30, 2023 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)		
2023	\$	2,328,243
2024		1,868,349
2025		1,916,911
2026		3,490,403
	\$	9,603,906

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2021

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.3922 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
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**Long-Term Expected Return on Plan Assets**

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

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

\*Long-term rates of return are net of administrative expenses and 2.02% inflation.

**Rate of Return**

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

**Discount Rate**

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

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

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

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.00%	6.00%	7.00%
<u>\$ 79,842,948</u>	<u>\$ 60,504,110</u>	<u>\$ 44,568,037</u>

\*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

**Fitzgerald Public Schools**  
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**Michigan Public School Employees' Retirement System (MPSERS)  
Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the Michigan Public School Employees' Retirement System (MPSERS)**

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

**Note 12 - Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

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

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

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

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

**Benefits Provided**

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

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

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

**Contributions**

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

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

The schedule below summarizes OPEB contribution rates in effect for plan year 2022.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.23%

Required contributions to the OPEB plan from the School District were \$1,227,949 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$3,414,413 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was .1612 percent, which was an increase of .0042 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized OPEB expense of (\$1,513,180) for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total OPEB contribution expense of \$1,250,272.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (6,687,527)	\$ (6,687,527)
Changes of assumptions	3,043,376	(247,809)	2,795,567
Net difference between projected and actual earnings on pension plan investments	266,863	-	266,863
Changes in proportion and differences between the School District contributions and proportionate share of contributions	255,282	(734,633)	(479,351)
Total to be recognized in future	3,565,521	(7,669,969)	(4,104,448)
School District contributions subsequent to the measurement date	1,071,180	-	-
Total	<u>\$ 4,636,701</u>	<u>\$ (7,669,969)</u>	<u>\$ (4,104,448)</u>

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2023	\$ (1,491,302)
2024	(1,341,129)
2025	(1,134,572)
2026	(107,841)
2027	(37,492)
Thereafter	7,888
	<u>\$ (4,104,448)</u>

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

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

*Other Assumptions:*

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

**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 6.2250.

Recognition period for assets in years is 5.000.

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

**Long-Term Expected Return on Plan Assets**

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

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

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

**Rate of Return**

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



**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Discount Rate**

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

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

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 5,727,350	\$ 3,414,413	\$ 1,466,634

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 1,429,793	\$ 3,414,413	\$ 5,642,189

**OPEB Plan Fiduciary Net Position**

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

**Payables to the OPEB Plan**

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

**Note 13 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2023.

**Fitzgerald Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 14 – Prior Period Adjustment**

The District Wide Fund recorded a prior period adjustment, which totaled \$6,217,581, to correct capital asset totals that were incorrectly reported as of June 30, 2023. This results in a decrease in the Governmental activities beginning net position from (\$15,775,298) to (\$21,992,879).

**Fitzgerald Public Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Revenues</b>				
Local sources	\$ 4,635,788	\$ 4,904,158	\$ 5,468,847	\$ 564,689
State sources	20,059,468	21,849,619	24,253,258	2,403,639
Federal sources	9,177,505	9,177,505	5,875,581	(3,301,924)
Interdistrict sources	1,799,520	1,869,520	1,869,043	(477)
Total revenues	<u>35,672,281</u>	<u>37,800,802</u>	<u>37,466,729</u>	<u>(334,073)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	13,710,776	16,019,211	15,964,104	(55,107)
Added needs	4,731,206	5,491,210	5,008,501	(482,709)
Supporting services				
Pupil	2,922,481	3,074,581	3,055,623	(18,958)
Instructional staff	2,772,059	2,756,748	2,847,401	90,653
General administration	503,481	470,637	485,153	14,516
School administration	1,736,453	1,732,320	1,723,552	(8,768)
Business	480,010	460,028	436,840	(23,188)
Operations and maintenance	4,787,394	5,045,819	4,090,366	(955,453)
Pupil transportation services	896,828	804,859	919,531	114,672
Central	1,366,486	1,316,090	1,561,403	245,313
Other	511,432	446,847	568,832	121,985
Community services	313,573	210,073	467,418	257,345
Capital outlay	-	-	52,164	52,164
Total expenditures	<u>34,732,179</u>	<u>37,828,423</u>	<u>37,180,888</u>	<u>(647,535)</u>
Excess of revenues over expenditures	940,102	(27,621)	285,841	313,462
<b>Other financing sources (uses)</b>				
Transfers out	-	(150,000)	-	150,000
Net change in fund balance	940,102	(177,621)	285,841	463,462
Fund balance – beginning	<u>5,010,621</u>	<u>5,010,621</u>	<u>5,010,621</u>	<u>-</u>
Fund balance – ending	<u>\$ 5,950,723</u>	<u>\$ 4,833,000</u>	<u>\$ 5,296,462</u>	<u>\$ 463,462</u>

**Fitzgerald Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each Fiscal Year)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Reporting unit's proportion of net pension liability (%)	0.1609%	0.1599%	0.1642%	0.1715%	0.1762%	0.1738%	0.1694%	0.1774%		
B. Reporting unit's proportionate share of net pension liability	\$ 60,504,110	\$ 37,854,679	\$ 56,415,509	\$ 56,791,176	\$ 52,983,297	\$ 45,043,742	\$ 42,261,526	\$ 43,329,809		
C. Reporting unit's covered-employee payroll	\$ 15,651,701	\$ 14,201,518	\$ 14,311,213	\$ 14,597,038	\$ 14,969,595	\$ 14,974,936	\$ 13,976,872	\$ 14,744,356		
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	386.57%	266.55%	394.20%	389.06%	353.94%	300.79%	302.37%	293.87%		
E. 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%		

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

**Fitzgerald Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Pension Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 5,929,750	\$ 5,365,913	\$ 4,747,727	\$ 4,508,310	\$ 4,866,885	\$ 4,846,679	\$ 3,803,750	\$ 3,422,261		
B. Contributions in relation to statutorily required contributions	<u>5,929,750</u>	<u>5,365,913</u>	<u>4,747,727</u>	<u>4,508,310</u>	<u>4,866,885</u>	<u>4,846,679</u>	<u>3,803,750</u>	<u>3,422,261</u>		
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
D. Reporting unit's covered-employee payroll	\$ 15,980,666	\$ 14,871,791	\$ 13,907,489	\$ 14,385,158	\$ 14,748,298	\$ 14,974,936	\$ 14,686,032	\$ 14,573,844		
E. Contributions as a percentage of covered-employee payroll	37.11%	36.08%	34.14%	31.34%	33.00%	32.37%	25.90%	23.48%		

**Fitzgerald Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net OPEB Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each Fiscal Year)**

	2022	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Reporting unit's proportion of the net OPEB liability (%)	0.1612%	0.1570%	0.1612%	0.1670%	0.1758%	0.1727%				
B. Reporting unit's proportionate share of the net OPEB liability	\$ 3,414,413	\$ 2,396,114	\$ 8,637,089	\$ 11,989,759	\$ 13,976,906	\$ 15,294,267				
C. Reporting unit's covered-employee payroll	\$ 15,651,701	\$ 14,201,518	\$ 14,311,213	\$ 14,597,038	\$ 14,969,595	\$ 14,974,936				
D. Reporting unit's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	21.81%	16.87%	60.35%	82.14%	93.37%	102.13%				
E. Plan fiduciary net position as a percentage of total OPEB liability	83.09%	72.60%	59.44%	48.46%	42.95%	36.39%				

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

**Fitzgerald Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's OPEB Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2022	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 1,250,272	\$ 1,178,646	\$ 1,141,294	\$ 1,139,198	\$ 1,277,961	\$ 1,087,847				
B. Contributions in relation to statutorily required contributions	<u>1,250,272</u>	<u>1,178,646</u>	<u>1,141,294</u>	<u>1,139,198</u>	<u>1,277,961</u>	<u>1,087,847</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. Reporting unit's covered-employee payroll	\$ 15,980,666	\$ 14,871,791	\$ 13,907,489	\$ 14,385,158	\$ 14,748,298	\$ 14,974,936				
E. Contributions as a percentage of covered-employee payroll	7.82%	7.93%	8.21%	7.92%	8.67%	7.26%				

**Fitzgerald Public Schools  
Other Supplementary Information  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2023**

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Food Service	Student/ School Activities	2014B Refunding Debt	2000 Sinking Fund	2001 Sinking Fund	
<b>Assets</b>						
Cash	\$ 64,008	\$ 359,324	\$ -	\$ 3,148,148	\$ 926,721	\$ 4,498,201
Due from other funds	184,549	8,289	2,542,928	-	-	2,735,766
Inventory	25,738	-	-	-	-	25,738
Total assets	<u>\$ 274,295</u>	<u>\$ 367,613</u>	<u>\$ 2,542,928</u>	<u>\$ 3,148,148</u>	<u>\$ 926,721</u>	<u>\$ 7,259,705</u>
<b>Liabilities and fund balances</b>						
Liabilities						
Accounts payable	\$ 99,422	\$ 1,310	\$ -	\$ 14,475	\$ 158,661	\$ 273,868
Due to other funds	24,930	58,035	-	34,989	447,703	565,657
Unearned revenue	3,339	-	-	-	-	3,339
Total liabilities	<u>127,691</u>	<u>59,345</u>	<u>-</u>	<u>49,464</u>	<u>606,364</u>	<u>842,864</u>
Fund Balances						
Non-spendable						
Inventory	25,738	-	-	-	-	25,738
Restricted for						
Food service	120,866	-	-	-	-	120,866
Debt service	-	-	2,542,928	-	-	2,542,928
Capital projects	-	-	-	3,098,684	320,357	3,419,041
Committed	-	308,268	-	-	-	308,268
Total fund balances	<u>146,604</u>	<u>308,268</u>	<u>2,542,928</u>	<u>3,098,684</u>	<u>320,357</u>	<u>6,416,841</u>
inflows of resources						
Total liabilities and fund balances	<u>\$ 274,295</u>	<u>\$ 367,613</u>	<u>\$ 2,542,928</u>	<u>\$ 3,148,148</u>	<u>\$ 926,721</u>	<u>\$ 7,259,705</u>



**Fitzgerald Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**

	Special Revenue Fund		Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Food Service	Student/ School Activities	2014B Refunding Debt	2000 Sinking Fund	2001 Sinking Fund	
<b>Revenues</b>						
Local sources	\$ 105,158	\$ 229,176	\$ -	\$ 910,021	\$ 1,004,094	\$ 2,248,449
State sources	96,026	-	-	-	-	96,026
Federal sources	1,863,424	-	-	-	-	1,863,424
Total revenues	<u>2,064,608</u>	<u>229,176</u>	<u>-</u>	<u>910,021</u>	<u>1,004,094</u>	<u>4,207,899</u>
					-	
<b>Expenditures</b>						
Current						
Education						
Student and school activities	-	206,082	-	-	-	206,082
Food services	1,953,785	-	-	-	-	1,953,785
Capital outlay	-	-	-	302,841	1,544,691	1,847,532
Debt service						
Interest and other expenditures	-	-	11	-	-	11
Total expenditures	<u>1,953,785</u>	<u>206,082</u>	<u>11</u>	<u>302,841</u>	<u>1,544,691</u>	<u>4,007,410</u>
Excess (deficiency) of revenues over expenditures	110,823	23,094	(11)	607,180	(540,597)	200,489
Net change in fund balances	110,823	23,094	(11)	607,180	(540,597)	200,489
Fund balances – beginning, as restated	<u>35,781</u>	<u>285,174</u>	<u>2,542,939</u>	<u>2,491,504</u>	<u>860,954</u>	<u>6,216,352</u>
Fund balances – beginning	<u>35,781</u>	<u>-</u>	<u>2,542,939</u>	<u>2,491,504</u>	<u>860,954</u>	<u>5,931,178</u>
Fund balances – ending	<u>\$ 146,604</u>	<u>\$ 308,268</u>	<u>\$ 2,542,928</u>	<u>\$ 3,098,684</u>	<u>\$ 320,357</u>	<u>\$ 6,416,841</u>

**Fitzgerald Public Schools**

**Single Audit**

**June 30, 2023**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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

## **Independent Auditors' Report**

Management and the Board of Education  
Fitzgerald Public Schools  
Warren, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fitzgerald Public Schools (the School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 28, 2023.

### **Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

## **Fitzgerald Public School's Response to Findings and Corrective Action Plan**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

The School District is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The School District's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-002.

## **Purpose of this Report**

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

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan  
November 28, 2023

# **Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

## **Independent Auditors' Report**

Management and the Board of Education  
Fitzgerald Public Schools  
Warren, Michigan

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

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

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

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

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

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

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

## Responsibilities of Management for Compliance

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

## Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

## Report on Internal Control over Compliance

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

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated November 28, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan  
November 28, 2023



**Fitzgerald Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Grant/ Project Number	Assistance Listing Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2023
<b>U.S. Department of Agriculture</b>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (commodities)	N/A	10.555	\$ 61,163	\$ -	\$ -	\$ 61,163	\$ 61,163	\$ -
National School Breakfast Program	221970	10.553	47,011	-	-	47,011	47,011	-
National School Breakfast Program	231970	10.553	374,182	-	-	374,182	374,182	-
Total National School Breakfast Program			<u>421,193</u>	<u>-</u>	<u>-</u>	<u>421,193</u>	<u>421,193</u>	<u>-</u>
National School Lunch Program	220910	10.555	47,137	-	-	47,137	47,137	-
National School Lunch Program	230910	10.555	25,959	-	-	25,959	25,959	-
National School Lunch Program	221960	10.555	122,237	-	-	122,237	122,237	-
National School Lunch Program	231960	10.555	953,925	-	-	953,925	953,925	-
Total National School Lunch Program			<u>1,149,258</u>	<u>-</u>	<u>-</u>	<u>1,149,258</u>	<u>1,149,258</u>	<u>-</u>
COVID-19 Extended Summer Food Service Food Service Program for Children	220900	10.559	73,818	5,383	5,383	68,435	73,818	-
COVID-19 Extended Summer Food Service Food Service Program for Children	230900	10.559	48,440	-	-	48,440	-	48,440
Total Summer Food Service Program for Children			<u>122,258</u>	<u>5,383</u>	<u>5,383</u>	<u>116,875</u>	<u>73,818</u>	<u>48,440</u>
Fresh Fruit and Vegetable Program	230950	10.582	54,730	-	-	48,036	15,921	32,115
Total Child Nutrition Cluster			<u>1,808,602</u>	<u>5,383</u>	<u>5,383</u>	<u>1,796,525</u>	<u>1,721,353</u>	<u>80,555</u>
Child and Adult Care Food Program	221920	10.558	9,063	-	-	9,063	9,063	-
Child and Adult Care Food Program	231920	10.558	50,282	-	-	50,282	47,687	2,595
Child and Adult Care Food Program	222010	10.558	675	-	-	675	675	-
Child and Adult Care Food Program	232010	10.558	3,743	-	-	3,743	3,550	193
Total Child and Adult Care Food Program			<u>63,763</u>	<u>-</u>	<u>-</u>	<u>63,763</u>	<u>60,975</u>	<u>2,788</u>
COVID-19 Pandemic EBT Local Level Costs	220980	10.649	3,135	-	-	3,135	3,135	-
Total U.S. Department of Agriculture			<u>1,875,500</u>	<u>5,383</u>	<u>5,383</u>	<u>1,863,423</u>	<u>1,785,463</u>	<u>83,343</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Fitzgerald Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Grant/ Project Number	Assistance Listing Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2023
<b>U.S. Federal Communications Commission</b>								
Passed through Universal Service Administrative Company								
Emergency Connectivity Fund (ECF)	2022	32.009	\$ 243,395	\$ 235,395	\$ -	\$ -	\$ 235,395	\$ -
Emergency Connectivity Fund (ECF)	2023	32.009	<u>305,226</u>	<u>-</u>	<u>-</u>	<u>305,226</u>	<u>-</u>	<u>305,226</u>
Total U.S. Federal Communications Commission			<u>548,621</u>	<u>235,395</u>	<u>-</u>	<u>305,226</u>	<u>235,395</u>	<u>305,226</u>
<b>U.S. Department of Education</b>								
Passed through Macomb County ISD								
Special Education Grants to States	220450	84.027	592,051	105,349	592,051	-	105,349	-
Special Education Grants to States	230450	84.027	567,504	-	-	567,504	567,504	-
COVID-19 Special Education Grants to States ARP	221280	84.027	<u>129,981</u>	<u>129,981</u>	<u>129,981</u>	<u>-</u>	<u>129,981</u>	<u>-</u>
Total Special Education Grants to States			<u>1,289,536</u>	<u>235,330</u>	<u>722,032</u>	<u>567,504</u>	<u>802,834</u>	<u>-</u>
Special Education Preschool Grants	220460	84.173	11,567	1,301	11,567	-	1,301	-
Special Education Preschool Grants	230460	84.173	10,243	-	-	10,243	10,243	-
COVID-19 Special Education Preschool Grants ARP	221285	84.173	<u>5,699</u>	<u>5,699</u>	<u>5,699</u>	<u>-</u>	<u>5,699</u>	<u>-</u>
Total Special Education Preschool Grants			<u>27,509</u>	<u>7,000</u>	<u>17,266</u>	<u>10,243</u>	<u>17,243</u>	<u>-</u>
Total Special Education Cluster			<u>1,317,045</u>	<u>242,330</u>	<u>739,298</u>	<u>577,747</u>	<u>820,077</u>	<u>-</u>
Passed through Michigan Department of Education								
Title I Grants to Local Education Agencies	221530	84.010	1,570,553	671,217	1,341,277	-	671,217	-
Title I Grants to Local Education Agencies	231530	84.010	<u>1,515,451</u>	<u>-</u>	<u>-</u>	<u>1,383,096</u>	<u>929,693</u>	<u>453,403</u>
Total Title I Grants to Local Education Agencies			<u>3,086,004</u>	<u>671,217</u>	<u>1,341,277</u>	<u>1,383,096</u>	<u>1,600,910</u>	<u>453,403</u>
Passed through Calhoun ISD								
Title I - Technical Assistance Grant	231580	84.010A	<u>11,224</u>	<u>-</u>	<u>-</u>	<u>11,224</u>	<u>-</u>	<u>11,224</u>
Passed through Michigan Department of Education								
English Language Acquisition State Grants	220570	84.365	25,941	5,753	13,468	-	5,753	-
English Language Acquisition State Grants	220580	84.365	86,563	22,410	68,643	-	22,410	-
English Language Acquisition State Grants	230570	84.365	31,405	-	-	14,733	-	14,733
English Language Acquisition State Grants	230580	84.365	<u>62,497</u>	<u>-</u>	<u>-</u>	<u>61,184</u>	<u>12,795</u>	<u>48,389</u>
Total English Language Acquisition State Grants			<u>206,406</u>	<u>28,163</u>	<u>82,111</u>	<u>75,917</u>	<u>40,958</u>	<u>63,122</u>
Supporting Effective Instruction State Grants	220520	84.367	326,777	122,590	189,222	-	122,590	-
Supporting Effective Instruction State Grants	230520	84.367	<u>288,579</u>	<u>-</u>	<u>-</u>	<u>169,520</u>	<u>104,024</u>	<u>65,496</u>
Total Supporting Effective Instruction State Grants			<u>615,356</u>	<u>122,590</u>	<u>189,222</u>	<u>169,520</u>	<u>226,614</u>	<u>65,496</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Fitzgerald Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Grant/ Project Number	Assistance Listing Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2023
<b>U.S. Department of Education (Continued)</b>								
Education Stabilization Fund								
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	213722	84.425D	\$ 167,750	\$ 167,750	\$ -	\$ -	\$ 167,750	\$ -
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	213712	84.425D	4,652,524	2,768,443	4,652,524	-	2,768,443	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	213713	84.425U	10,456,337	754,690	754,690	2,996,732	754,690	2,996,732
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	213752	84.425D	25,000	25,000	-	-	25,000	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	213762	84.425D	15,612	15,612	15,612	-	15,612	-
COVID-19 Governor's Emergency Education Relief (GEER)	213782	84.425D	115,073	-	-	115,073	-	115,073
COVID-19 Governor's Emergency Education Relief (GEER)	211012	84.425W	36,519	-	-	36,519	-	36,519
			<u>15,468,815</u>	<u>3,731,495</u>	<u>5,422,826</u>	<u>3,148,324</u>	<u>3,731,495</u>	<u>3,148,324</u>
Passed through Macomb County ISD								
COVID-19 GSRP State Fiscal Recovery Funds	222390	84.425	135,024	95,597	95,597	39,428	135,025	-
Total Education Stabilization Fund			<u>15,603,839</u>	<u>3,827,092</u>	<u>5,518,423</u>	<u>3,187,752</u>	<u>3,866,520</u>	<u>3,148,324</u>
Passed through Warren Woods Public Schools								
Career and Technical Education - Basic Grants to States	2023	84.048	24,857	-	-	24,857	24,857	-
Total U.S. Department of Education			<u>20,864,731</u>	<u>4,891,392</u>	<u>7,870,331</u>	<u>5,430,113</u>	<u>6,579,936</u>	<u>3,741,569</u>
<b>U.S. Department of Health and Human Services Administration</b>								
Passed through Michigan Works!								
Student Support and Academic Enrichment Program	220750	84.424	148,662	37,186	64,418	-	37,186	-
Student Support and Academic Enrichment Program	230750	84.424	182,139	-	-	140,243	62,684	77,559
Total Student Support and Academic Enrichment Program			<u>330,801</u>	<u>37,186</u>	<u>64,418</u>	<u>140,243</u>	<u>99,870</u>	<u>77,559</u>
Total U.S. Department of Health and Human Services Administration			<u>330,801</u>	<u>37,186</u>	<u>64,418</u>	<u>140,243</u>	<u>99,870</u>	<u>77,559</u>
Total Federal awards			<u>\$ 23,619,653</u>	<u>\$ 5,169,356</u>	<u>\$ 7,940,132</u>	<u>\$ 7,739,005</u>	<u>\$ 8,700,664</u>	<u>\$ 4,207,697</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Fitzgerald Public Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

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**Note 1 - Basis of Presentation**

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

**Note 2 – Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

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

**Note 3 - Subrecipients**

No amounts were provided to subrecipients.

**Note 4 - Michigan Department of Education**

The federal amounts reported on the grant auditor report are in agreement with the SEFA,

The amounts reported on the recipient entitlement balance report agree with the SEFA for U.S.D.A. donated food commodities.

**Note 5 – Reconciliation to the Financial Statements**

Federal revenues reported on the financial statements are equal to the expenditures reported on the Schedule.

**Fitzgerald Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

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**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:  
Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_X\_\_\_      yes      \_\_\_\_\_      no
- Significant deficiency(ies) identified \_\_\_\_\_      yes        X        none reported
- Noncompliance material to financial statements noted? \_\_\_X\_\_\_      yes      \_\_\_\_\_      no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_      yes        X        no
- Significant deficiency(ies) identified \_\_\_\_\_      yes        X        none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_      yes        X        no

Identification of major federal programs:

<i>AL Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010/84.010A	Title I, Part A
84.425/84.425D/84.425U/ 84.425W	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_X\_\_\_      yes      \_\_\_\_\_      no

**Fitzgerald Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

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**Section II – Government Auditing Standards Findings**

**Finding 2023-001 – Audit Adjustments – Material Weakness**

<b>Criteria:</b>	Management is responsible for reporting complete and accurate financial data in accordance with Generally Accepted Accounting Principles (GAAP).
<b>Condition:</b>	As a result of our audit procedures, journal entries were proposed to adjust the financial statements in accordance with GAAP. Material audit adjustments were required to record the MPERS unfunded accrued actuarial liability section 147c(2) payments and related expenditures. Additionally, a prior period adjustment was recorded by the District to correct errors in previously issued financial statements related to capital assets. Lastly, a journal entry was needed to accrue back the payable and record expenses for bond related construction project invoices owed at year end.
<b>Cause and Effect:</b>	The District's internal controls over year end accounts payable reconciliations did not properly capture all accruals. As a result, expenditures were incorrectly reported prior to adjustment. Additionally, the District has not maintained proper internal controls related to capital assets. Had these journal entries not been identified and recorded, the financial statements would have been misstated by a material amount.
<b>Recommendation:</b>	We recommend that the District expand its internal controls over the year end reconciliation process and capital assets to ensure financial data is accurate.
<b>Views of Responsible Officials:</b>	Management agrees with the finding.
<b>Corrective Action Plan:</b>	See attached corrective action plan.

**Fitzgerald Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

---

**Finding 2023-002 – Expenditures in Excess of Appropriations – Material Weakness – Noncompliance**

- Criteria:** The State of Michigan Uniform Budgeting and Accounting Act (Public Act 2 of 1968, MCL 141.437) requires the School District to amend the original adopted budget “as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined.” The Act also states that “an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body”.
- Condition:** During our review of the School District’s compliance with the Budgeting Act, we noted that expenditures had exceeded the amounts appropriated in certain areas within the General Fund, which in the aggregate was by a material amount.
- Cause and Effect:** The School District did not sufficiently amend the budget when it became apparent spending was going to exceed the amounts appropriated. As a result, the School District has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.
- Recommendation:** We recommend that all expenditures be closely monitored to ensure that they do not exceed the appropriations as specified in the adopted budget for the year. Furthermore, we recommend budget amendments be made as soon as possible if conditions change that warrant additional expenditures.
- Views of Responsible Officials:** Management agrees with the finding.
- Corrective Action Plan:** See attached corrective action plan.

**Fitzgerald Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

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**Section III – Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.



**Fitzgerald Public Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2023**

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**Section IV – Prior Audit Findings**

***Government Auditing Standards Findings***

There were no *Government Auditing Standards* findings for the year ended June 30, 2022.

**Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.

# FITZGERALD

PUBLIC ★ SCHOOLS

## Board of Education

Julia Yokel  
*President*

Anne Covert  
*Vice President*

Kimberly Lee  
*Secretary*

Judy Furgal  
*Treasurer*

Randel Meisner  
*Trustee*

Khaja Shahab Ahmed  
*Trustee*

Raymond DeLoatch  
*Trustee*

## Administration

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*Superintendent*  
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*Director of Academic Services*  
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Dawn Bruley  
*Director of Student Services*  
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Regan Galloway  
*Director of Human Resources*  
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586.620.6064 Fax

William Rudd  
*Director of Operations*  
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586.620.6064 Fax

Gina Cereska  
Business Manager  
Fitzgerald Public Schools  
23200 Ryan Road  
Warren, MI 48091

Re: Finding # 2023-001

Fitzgerald Corrective Action Plan

Objective: To enhance internal controls over year-end accounts payable reconciliations and capital assets to ensure the accuracy of financial data.

### Issue 1: Incomplete Year-End Accounts Payable Reconciliations

Root Cause: Inadequate procedures for identifying and recording accruals at year-end.

Corrective Action:

1. Establish a formalized accrual identification process:
  - a. Develop a comprehensive accrual checklist to ensure all relevant accruals are identified.
  - b. Assign responsibility for accrual identification to specific individuals or departments.
  - c. Implement a review process to verify the accuracy and completeness of accrual estimates.
2. Enhance training for year-end reconciliation procedures:
  - a. Provide comprehensive training to relevant personnel on year-end reconciliation procedures, including accrual identification and recording.
  - b. Conduct regular refresher training sessions to ensure ongoing knowledge and compliance.
3. Implement continuous monitoring of year-end reconciliation process:
  - a. Establish a system for ongoing monitoring of the year-end reconciliation process to identify and address any weaknesses or inconsistencies.

b. Conduct periodic audits or reviews of the year-end reconciliation process to ensure its effectiveness.

## **Issue 2: Inadequate Internal Controls over Capital Assets**

Root Cause: Lack of proper procedures for tracking, maintaining, and depreciating capital assets.

Corrective Action:

1. Develop a comprehensive capital asset inventory:

a. Conduct a physical inventory of all capital assets to identify and document their existence and condition. (May take more than one year)

b. Maintain an accurate and up-to-date capital asset register with detailed information for each asset, including acquisition date, cost, depreciation method, and expected useful life.

2. Continue to use our formal asset tracking system (AS400):

a. Establish a system for assigning unique identification numbers to each capital asset.

b. Conduct quarterly audits or reviews of the asset tracking system to ensure its accuracy and completeness.

3. Follow our districts standardized depreciation policy:

a. Regularly review and update the depreciation policy to reflect changes in asset values or depreciation guidelines.

4. Implement regular asset condition assessments:

a. Establish a schedule for conducting regular physical inspections of capital assets to assess their condition and identify any maintenance or repair needs.

b. Document the results of asset condition assessments and maintain records of any maintenance or repairs performed.

5. Assign clear responsibilities for capital asset management:

a. Clearly define the roles and responsibilities for managing capital assets, including acquisition, disposal, and recordkeeping.

b. Provide training to relevant personnel on their responsibilities for managing capital assets.

We expect this plan to be accomplished throughout the 23-24 school year, to have accurate financial information for the FY24 audit.

Sincerely,



Gina Cereska  
Business Manager  
Fitzgerald Public Schools

# FITZGERALD

PUBLIC \* SCHOOLS

## Board of Education

Julia Yokel  
*President*

Anne Covert  
*Vice President*

Kimberly Lee  
*Secretary*

Judy Furgal  
*Treasurer*

Randel Meisner  
*Trustee*

Khaja Shahab Ahmed  
*Trustee*

Raymond DeLoatch  
*Trustee*

Gina Cereska  
Business Manager  
Fitzgerald Public Schools  
23200 Ryan Road  
Warren, MI 48091

Re: Finding # 2023-002

Fitzgerald Corrective Action Plan

Issue: The school district did not sufficiently amend the budget when it became apparent spending was going to exceed the amounts appropriated. As a result, the school district has not maintained adequate control over budgetary compliance in accordance with state law in the certain areas where the overages occurred.

Corrective Actions:

## Administration

Hollie Stange  
*Superintendent*  
586.757.1750  
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*Director of Academic Services*  
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586.283.2756 Fax

Dawn Bruley  
*Director of Student Services*  
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586.620.6096 Fax

Regan Galloway  
*Director of Human Resources*  
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586.620.6064 Fax

William Rudd  
*Director of Operations*  
586.757.5502  
586.620.6064 Fax

1. Enhance our district monthly budget monitoring process:
  - a. Assign a designated budget monitor to review all expenditures on a monthly basis.
  - b. Compare actual expenditures to budgeted amounts and identify any variances.
  - c. Investigate any significant variances to determine the root cause and develop corrective actions.
2. Continue a timely budget amendment procedure:
  - a. Develop clear guidelines for initiating budget amendments.
  - b. Establish a timeline for submitting and approving budget amendments.
  - c. Ensure that all budget amendments are properly documented and approved by the appropriate authorities.
3. Enhance budget training for school personnel:
  - a. Provide regular training sessions on budget management and compliance procedures for all school personnel.
  - b. Emphasize the importance of adhering to budget appropriations and promptly reporting any potential overages.
  - c. Encourage open communication and collaboration between school staff and the central finance office regarding budgetary matters.

4. Strengthen internal controls: a. Review and implement internal control measures to prevent unauthorized expenditures. b. Segregate financial duties to minimize the risk of fraud or error. c. Conduct regular audits to assess the effectiveness of internal controls and identify any potential weaknesses.
5. Conduct a root cause analysis of the overages: a. Identify the specific areas where overages occurred and determine the underlying factors. b. Assess whether the overages were due to unforeseen circumstances or a lack of proper planning and control. c. Develop preventive measures to address the root causes and prevent similar overages from occurring in the future.

Timeline for Implementation:

1. Enhance district monthly budget monitoring process - Immediate
2. Continue timely budget amendment procedure - Immediate
3. Enhance budget training for school personnel - Within 60 days
4. Strengthen internal controls - Within 90 days
5. Conduct root cause analysis of the overages - Within 120 days

Responsible Parties:

1. School district superintendent - Overall responsibility for implementing the corrective action plan
2. Business Manager - Overseeing the implementation of the budget monitoring and amendment procedures
3. School principals - Ensuring adherence to budget appropriations within their respective schools

Monitoring and Evaluation:

1. Track the progress of implementing the corrective actions.
2. Evaluate the effectiveness of the corrective actions in preventing future budget overages.
3. Make adjustments to the corrective action plan as needed.

Sincerely,



Gina Cereska  
Business Manager  
Fitzgerald Public Schools

November 28, 2023

Management and the Board of Education  
Fitzgerald Public Schools  
Warren, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fitzgerald Public Schools (the School District) as of and for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 17, 2023. Professional standards also require that we communicate to you the following information related to our audit.

We discussed these matters with various personnel in the School District during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

## **Significant Audit Matters**

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

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statement effective July 1, 2021:

- Statement No. 96, *Subscription-Based Information Technology Arrangements* is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment benefits (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

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

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Implementation of new accounting standard
- Information Technology controls

### **Accounting Standards and Regulatory Updates**

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Implementation Guide No 2021-1, *Implementation Guidance Update-2021* has an amended response related to the capitalization of assets purchased as a group. Under the amended guidance, governments *should* capitalize individual items when the purchase in the aggregate is considered significant, even if the individual items are less than the capitalization threshold of the government. The effective date for implementation is for reporting periods beginning after June 15, 2023 (effectively, for the first year ended June 30, 2024 or later) and requires retroactive implementation.

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

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

### **Corrected and Uncorrected Misstatements**

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

The following material misstatements were detected as a result of our audit procedures and corrected by management:

- Material adjustments to recognize expense and liability of \$1,610,604 for MPSERS 147c(2) UAAL that was not properly recorded in the current year.
- Prior period adjustment to restate beginning net position by (\$6,217,581) for governmental activities and capital assets.
- Material adjustments to recognize expense and liability of \$1,211,194 for bond construction project expenses that was not properly recorded in the current year.

There were no known uncorrected misstatements that were more than trivial.

## **Disagreements with Management**

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

## **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

## **Management's Consultations with Other Accountants**

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

## **Other Audit Findings or Issues**

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

## **Emphasis of Matters in Independent Auditors' Report**

Our report will include the following emphasis of matter paragraph:

### **Prior Period Adjustment**

As discussed in Note 14 to the financial statements, the School District restated the Governmental Activities beginning net position to correct an error. Our opinions are not modified with respect to this matter.

## **Other Reports**

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

## **Report on Required Supplementary Information**

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



## Report on Other Supplementary Information

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

## Restriction on Use

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

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan