ONTONAGON AREA SCHOOL DISTRICT

REPORT ON FINANCIAL STATEMENTS
(with additional information)

For the Year Ended June 30, 2022

ONTONAGON AREA SCHOOL DISTRICT

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ONTONAGON AREA SCHOOL DISTRICT

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Ontonagon Area School District
Ontonagon, Michigan

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and each fiduciary fund, of the Ontonagon Area School District ("District"), as of and for the year ended June 30,2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinion.

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 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 auditor's report that includes our opinion. 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 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, 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

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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 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 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.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the budgetary comparison schedules. Our opinions on the basic financial statements do not cover the budgetary comparison schedules, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the budgetary comparison schedules and consider whether a material inconsistency exists between the budgetary comparison schedules and the basic financial statements, or the budgetary comparison schedules otherwise appear to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the budgetary comparison schedules exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the 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 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 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 District's internal control over financial reporting and compliance.

Anderson Tackman & Co. PLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

October 28, 2022

Ontonagon Area School District's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position including its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board (GASB) Statement No. 34 (GASB 34) as amended by GASB Statement No. 63, GASB Statement No. 65, and GASB Statement No. 68 and 75, GASB Statement No. 71 an amendment of GASB Statement No. 68, GASB 84, and GASB 87, and is intended to provide the financial results for the fiscal year ending June 30, 2022.

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

Basic Financial Statements

District-Wide Financial Statements ***Fund Financial Statements***

Notes to the Basic Financial Statements

(Required Supplemental Information)
(other than MD&A expanded)

GASB 34, as amended by GASB Statement No. 63 and 65, requires the presentation of two basic types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-Wide Financial Statements provide a perspective of the District as a whole. These financial statements use the full accrual basis of accounting similar to private sector companies. There are two District-Wide Financial Statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds: current financial resources (short-term available resources) (assets, liabilities, and deferred outflow/inflow of resources) with capital assets and long-term obligations, regardless of their current availability.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

Fund Financial Statements

The Fund Financial Statements are similar to financial presentations of years past, but the new focus is on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounts. Under this basis of accounting, revenues are recorded when received, except when they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Fund types include the General Fund, School Service Fund, Debt Retirement Fund, Capital Project Fund, Student Activity Fund, and Fiduciary Funds. The General Fund is used primarily to account for the general education requirements of the District. For fiscal year ending June 30, 2022 and 2021, Athletics is combined with the General Fund. Its revenues are derived from property taxes, state and federal distributions and grants, and other intergovernmental revenues. The School Service Fund is comprised of Food Service. The Debt Retirement Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Project Fund is used to account for financial resources to be used for acquisition, construction, or improvements of major capital facilities. The Student Activity Fund accounts for assets held by the District as an agent for various student groups and related activities. The Fiduciary Funds account for assets held by the District in a trustee capacity for various student groups and related activities.

Financial Analysis of the District as a Whole

Summary of Net Position

	June 30, 2022	(As reported) June 30, 2021
Assets:		
Current assets	$ 1,495,898	$ 1,020,912
Net capital assets	2,993,519	3,008,547
Total assets	4,489,417	4,029,459
Deferred Pension Outflows	898,145	1,572,768
Liabilities:		
Current liabilities	869,049	627,883
Long term liabilities	4,464,223	7,259,984
Total liabilities	5,333,272	7,887,867
Deferred Pension Inflows	2,594,507	1,225,247
Net Position:		
Net investment in capital assets	2,355,164	2,134,527
Restricted for debt service	87,960	64,864
Restricted for food service	55,547	51,194
Restricted for capital projects	419,434	253,090
Restricted for student activities	93,346	69,014
Unrestricted	(5,551,668)	(6,083,576)
Total net position	$ (2,540,217)	$ (3,510,887)

The School District's net position was (deficit) $(2,540,217) at June 30, 2022, compared to (deficit) $(3,510,887) as adjusted at June 30, 2021. Total net position can be separated into three categories: Net investment in capital assets, restricted assets for debt service, food service, capital projects, and student activities and unrestricted assets.

Net capital assets are a combination of funds available for capital assets less accumulated depreciation and related debt. The original cost of capital assets was $7,604,002 at June 30, 2022, and $7,520,787 at June 30, 2021. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated use life of the assets. Total accumulated depreciation was $4,610,483 at June 30, 2022, and $4,512,240 at June 30, 2021. Total debt related to capital assets was $638,355 at June 30, 2022, and $874,020 at June 30, 2021.

Restricted net position for debt are funds, by their nature, restricted for use by laws or regulations by the State of Michigan. These funds totaled $656,287 at June 30, 2022, compared to $438,162 at June 30, 2021.

The remaining balance in unrestricted net position represents a deficit balance of $(5,551,668) at June 30, 2022, and deficit balance of $(6,083,576) as originally reported at June 30, 2021. The deficit balances are a result of GASB Statement No. 68 and 75 "Accounting and Finance Reporting for Pensions and Other Post Employment Benefits which is effective for fiscal years beginning after June 15, 2014 and 2018. Additional information regarding GASB Statement No. 68 and 75 can be found in the audit report under Note 10 &11.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-Wide results of operations for the years ended June 30, 2022 and June 30, 2021 is as follows:

	June 30, 2022	June 30, 2021
Program revenue		
Charges for services-local	$ 69,046	$ 66,583
Operating grants - federal state local	875,751	720,821
Total program revenue	944,797	787,404
General revenue		
Property taxes levied for general operations	2,344,597	2,277,969
State of Michigan aid, unrestricted	1,092,822	797,767
Other- federal, state and local	327,084	46,463
Total general revenue	3,764,503	3,122,199
Total revenue	4,709,300	3,909,603
Expenses		
Instruction	1,832,233	1,722,442
Support services	1,434,732	1,342,389
School service	251,153	209,787
Interest on long term debt	56,942	61,325
Depreciation (unallocated)	163,570	157,339
Total expenses	3,738,630	3,493,282
Changes in net position	970,670	416,321
Net Position July 1	(3,510,887)	(3,927,208)
Net Position June 30	$ (2,540,217)	$ (3,510,887)

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The overall condition of the governmental funds has increased during June 30, 2022 and June 30, 2021. In the General Fund, the excess of revenues over expenditures totaled $442,552 during fiscal year June 30, 2022, and the excess of revenues over expenditures totaled $56,199 during fiscal year June 30, 2021.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments are known. The most significant fund budgeted is the General Fund operations. The General Fund operating budget was amended two times during fiscal year 2022.

General Fund Operations

In the General Fund operations, the actual revenue for fiscal year June 30, 2022 was $3,849,624. This is above the original budget of 3,202,871 and below the final budget of $3,872,210 - a variance of -.58%. The actual expenditures of the general fund for fiscal year June 30, 2022 operations were $3,617,715. This is above the original budget of $3,079,170 and below the final budget of $3,691,215 - a variance of 1.99%.

GOVERNMENTAL FUND EXPENDITURES

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Total Expenditures June 30, 2022	Percentage	Total Expenditures June 30, 2021	Percentage
General Fund	$ 3,617,715	84.82%	$ 3,064,903	82.82%
Debt Service Fund	293,230	6.88%	296,828	8.02%
Capital Projects Fund	81,553	1.91%	127,183	3.44%
Food Service Fund	217,421	5.10%	181,446	4.90%
Student Actvities Fund	55,213	1.29%	30,450	0.82%
Total Expenditures	$ 4,265,132	100.00%	$ 3,700,810	100.00%

TOTAL REVENUES

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds.

	Total Revenue June 30, 2022	Percentage	Total Revenue June 30, 2021	Percentage
State of Michigan Aid unrestricted	$ 1,092,822	22.80%	$ 797,767	20.41%
Prop taxes general operation	1,912,888	39.90%	2,077,209	53.13%
Prop taxes debt retirement	207,848	4.34%	200,760	5.14%
Prop taxes sinking fund	223,861	4.67%	-	0.00%
Operating grants federal state local	875,751	18.27%	720,821	18.44%
Charges for services - local	69,046	1.44%	66,583	1.70%
Other federal state local	411,479	8.58%	46,463	1.19%
Total Revenues	$ 4,793,695	100.00%	$ 3,909,603	100.00%

Unrestricted State Aid

The District is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have increased as a result of increased enrollment from the previous years. State aid membership was 285.21 for fiscal year June 30, 2022 and 268.93 for fiscal year June 30, 2021. The foundation allowance increased $589 per student from the previous year.

Property Taxes

The District levies 18 mills of property taxes on all Non-Homestead property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value.

The District levied 1.20 mills of property taxes on all classes of property located within the District for bonded debt retirement. The levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations.

The District levied 1.2925 mills on property taxes on all classes of property located within the District for our Sinking Fund. The levy is to rollback provisions and is used for acquisition, construction, and improvements of the facilities.

Operating Grants Federal, State, and Local

The primary sources are the Federal Title One Program, the State funded At Risk Program and the Special Education Obligation funds required under the Headlee Amendment, State of Michigan legislation. Both Title One and At Risk Programs assist students who are deemed to be at risk in the instruction process. For the 2021-2022 fiscal year, the District has utilized $155,913 for the Title One and $108,294 for the State At Risk programs. For fiscal year 2022 the State, under the Headlee amendment, is obligated to remit to the District $7,652.

ENROLLMENT

The District's 2021-2022 fall enrollment totaled 287. This is an increase of 18 students from the previous year. The district had an increase due to a smaller graduating class offset by a larger incoming Kindergarten class. Ontonagon Area School District is located in Michigan's Upper Peninsula and continues to work through difficult economic times.

Enrollment changes over the last ten years can be illustrated as follows:

Fiscal Year	(Fall) Student Enrollment	Increase (Decrease) in Student Enrollment
2022	287	18
2021	269	(2)
2020	271	(1)
2019	272	(27)
2018	299	2
2017	297	(19)
2016	316	(30)
2015	346	(33)
2014	379	(11)
2013	390	(20)
2012	410	(63)

Student enrollment is important to the financial health of the District because state funding is based on a per pupil formula.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2022, the District had $7,604,002 invested in land and building, furniture and equipment, vehicles and buses compared to $7,520,787 at June 30, 2021. Of this amount, $4,610,483 and $4,512,240 has been depreciated at June 30, 2022 and June 30, 2021 respectively. Net book value totaled $2,993,519 at June 30, 2022, and $3,008,547 at June 30, 2021. The District maintains a $2,000 threshold for capitalization of assets.

Outstanding Debt at Year End

As of June 30, 2022, the District had $638,355 in bonds outstanding, compared to $874,020 at June 30, 2021. The District collects bonded debt across the total property values. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional bond debt.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of the Ontonagon Area School District. For additional detailed financial information contact:

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

ONTONAGON AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities
ASSETS:	
Current assets:	
Cash and equivalents	$ 676,949
Investments	286,017
Accounts receivable	10,570
Inventory	24,485
Due from other governments	497,877
Total current assets	1,495,898
Noncurrent assets:	
Capital assets	7,604,002
Accumulated depreciation	(4,610,483)
Total noncurrent assets	2,993,519
TOTAL ASSETS	4,489,417
DEFERRED OUTFLOWS OF RESOURCES:	
Pension outflows	610,486
Other post employment benefits outflows	287,659
TOTAL DEFERRED OUTFLOWS OF RESOURCES	898,145
LIABILITIES:	
Current liabilities:	
Accounts payable	64,112
Accrued interest	8,977
Accrued expenses	282,351
Unearned revenues	55,255
Early retirement	19,999
Bonds payable	438,355
Total current liabilities	869,049
Noncurrent liabilities:	
Compensated absences	17,997
Early retirement	26,668
Bonds payable	200,000
Net other post empolyment benefits liability	262,007
Net pension liability	3,957,551
Total noncurrent liabilities	4,464,223
TOTAL LIABILITIES	5,333,272
DEFERRED INFLOWS OF RESOURCES:	
Pension inflows	1,513,506
Other post employment benefits inflows	1,081,001
TOTAL DEFERRED INFLOWS OF RESOURCES	2,594,507
NET POSITION:	
Net investment in capital assets	2,355,164
Restricted	656,287
Unrestricted	(5,551,668)
TOTAL NET POSITION	$ (2,540,217)

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

ONTONAGON AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

		Program Revenue			Net (Expense) Revenue and Change in Net Position Primary Government
FUNCTIONS/PROGRAMS	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	$ (1,832,233)	$ -	$ 686,453	$ -	$ (1,145,780)
Support	(1,434,732)	11,060	-	-	(1,423,672)
School service	(251,153)	57,986	189,298	-	(3,869)
Depreciation	(163,570)	-	-	-	(163,570)
Debt interest, fees and expenses	(56,942)	-	-	-	(56,942)
TOTAL PRIMARY GOVERNMENT	(3,738,630)	69,046	875,751	-	(2,793,833)
General revenues:					
Property taxes					$ 2,344,597
State revenue sharing					1,092,822
Unrestricted investment earnings					1,357
Other					325,727
Total general revenues and transfers					3,764,503
Change in net position					970,670
Net position, beginning of year					(3,510,887)
Net position, end of year					$ (2,540,217)

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

ONTONAGON AREA SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2022

	General	Debt Service	Capital Projects Sinking Fund
ASSETS:			
Cash and equivalents	$ 152,156	$ 45,302	$ 373,491
Investments	286,017	-	-
Accounts receivable	9,839	-	-
Inventory	18,805	-	-
Due from other funds	-	42,658	45,943
Due from other governments	497,877	-	-
TOTAL ASSETS	$ 964,694	$ 87,960	$ 419,434
LIABILITIES:			
Accounts payable	$ 64,104	$ -	$ -
Due to other funds	142,984	-	-
Accrued expenses	105,075	-	-
Salaries payable and related items	177,276	-	-
Unearned revenue	43,042	-	-
TOTAL LIABILITIES	532,481	-	-
FUND BALANCE AND OTHER CREDITS:			
Fund balances:			
Restricted	-	87,960	419,434
Nonspendable	18,805	-	-
Unassigned	413,408	-	-
TOTAL FUND BALANCE AND OTHER CREDITS	432,213	87,960	419,434
TOTAL LIABILITIES, FUND BALANCE AND OTHER	$ 964,694	$ 87,960	$ 419,434

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Special Revenue		Total
Food Service	Student Activities	Governmental Funds
$ 12,654	$ 93,346	$ 676,949
-	-	286,017
731	-	10,570
5,680	-	24,485
75,725	-	164,326
-	-	497,877
$ 94,790	$ 93,346	$ 1,660,224
$ 8	$ -	$ 64,112
21,342	-	164,326
-	-	105,075
-	-	177,276
12,213	-	55,255
33,563	-	566,044
55,547	93,346	656,287
5,680	-	24,485
-	-	413,408
61,227	93,346	1,094,180
$ 94,790	$ 93,346	$ 1,660,224

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

ONTONAGON AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

For the Year Ended June 30, 2022

Total fund balances for governmental funds		$ 1,094,180
Total net position reported 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. Those assets consist of:		
Total capital assets	$ 7,604,002	
Accumulated depreciation	(4,610,483)	
Net capital assets		2,993,519
Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the funds. Those resources consist of:		
Deferred outflows of pension and OPEB resources	$ 898,145	
Deferred inflows of pension and OPEB resources	(2,594,507)	
Net deferred pension and OPEB sources		(1,696,362)
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.		
Accrued interest on long-term debt	$ (8,977)	
Bonds payable	(638,355)	
Net pension liability	(3,957,551)	
OPEB liability	(262,007)	
Compensated absences and early retirement	(64,664)	(4,931,554)
Total net position of governmental activities		$ (2,540,217)

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CERTIFIED PUBLIC ACCOUNTANTS

ONTONAGON AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	General	Debt Service	Capital Projects Sinking Fund
REVENUES:			
Local sources	$ 2,086,420	$ 228,661	$ 235,716
State sources	1,076,751	3,270	-
Federal sources	686,453	-	-
TOTAL REVENUES	3,849,624	231,931	235,716
EXPENDITURES:			
Instruction:			
Current	1,987,390	-	-
Supporting services:			
Current	1,630,325	-	-
Capital outlay	-	-	81,553
Debt service	-	293,230	-
School service activities	-	-	-
TOTAL EXPENDITURES	3,617,715	293,230	81,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	231,909	(61,299)	154,163
OTHER FINANCING SOURCES (USES):			
Payments received from other governmental units	26,523	-	-
Transfers in	-	84,395	-
Other sources	50,489	-	12,181
Other uses	(1,616)	-	-
Transfers out	(84,395)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(8,999)	84,395	12,181
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	222,910	23,096	166,344
FUND BALANCE, JULY 1	209,303	64,864	253,090
FUND BALANCE, JUNE 30	$ 432,213	$ 87,960	$ 419,434

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Special Revenue		
Food Service	Student Activities	Total Governmental Funds
$ 21,192	$ 79,545	$ 2,651,534
12,801	-	1,092,822
189,298	-	875,751
223,291	79,545	4,620,107
-	-	1,987,390
-	-	1,630,325
-	-	81,553
-	-	293,230
217,421	55,213	272,634
217,421	55,213	4,265,132
5,870	24,332	354,975
-	-	26,523
-	-	84,395
-	-	62,670
-	-	(1,616)
-	-	(84,395)
-	-	87,577
5,870	24,332	442,552
55,357	69,014	651,628
$ 61,227	$ 93,346	$ 1,094,180

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

ONTONAGON AREA SCHOOL DISTRICT

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, 2022

Net changes in fund balances - total governmental funds	$ 442,552
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense $(163,570) exceeded capital outlay $148,542 net of deletions.	(15,028)
The change in net pension and OPEB deferred inflows and outflows and net pension and OPEB liability is not recorded in the governmental funds. However, in the statement of activities this change is recognized as an adjustment to instruction, support and school service expenses as it relates to these categories.	333,133
Bond and loan proceeds are reported as financing sources in 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.	
Principal repayments:	
Bond principal	235,665
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:	
Compensated absences and early retirement	(26,275)
Accrued interest	623
Change in net position of governmental activities	$ 970,670

ONTONAGON AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2022

	Expendable Trust Fund	Non-Expendable Trust Fund
	Scholarships	Scholarships
ASSETS:		
Cash & Investments	$ 4,436	$ 4,740
TOTAL ASSETS	4,436	4,740
NET POSITION:		
Reserved	$ 4,436	$ 4,740

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

ONTONAGON AREA SCHOOL DISTRICT

CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2022

	Expendable Trust Fund Scholarships	Non -Expendable Trust Fund Scholarships
ADDITIONS:		
Interest and contributions	25	-
TOTAL ADDITIONS	25	-
Change in net position	25	-
NET POSITION:		
BEGINNING OF YEAR	4,411	4,740
NET POSITION:		
END OF YEAR	$ 4,436	$ 4,740

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Ontonagon Area School District ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* Certain of the significant changes in the statement include the following:

An Administration's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the District's activities.

A change in the fund financial statements to focus on the major funds.

Effective for periods beginning after December 15, 2011, GASB Statement No. 63, effective for periods after December 15, 2012, GASB 65 amends Statement No. 34, and effective for periods beginning after June 15, 2015, GASB Statement No. 68 an amendment of GASB Statement No. 27, and GASB Statement No. 71 an amendment of GASB Statement No. 68. Statement No. 63 and No. 65 establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Statements No. 68, 71 and 75 establish standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense/expenditures for defined benefit pension plans and Other Post-Employment Benefits. Effective for periods beginning after December 15, 2019, GASB Statement No. 84 establishes standards for reporting fiduciary activities. GASB Statement No. 87, effective for periods beginning after June 15, 2021, establishes lease reporting standards.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the provisions of the Statements.

A. <u>Reporting Entity</u>

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement No. 14, *The Financial Reporting Entity* and as amended by GASB Statement No. 61.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Based on the foregoing criteria, it has been determined that there are no component units of the Ontonagon Area School District.

B. Basic Financial Statements – Government-Wide Statements

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

In the government-wide Statement of Net Position, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). 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 District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

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

C. Basic Financial Statements – Fund Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements – Fund Financial Statements (Continued)

Governmental Funds – Governmental funds are used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except for those accounted for in fiduciary funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial transactions of the District, except those required to be accounted for in other funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses the Special Revenue Fund to account for the Ontonagon Area School District's food service activity and student activities.

Capital Project Funds – Capital project funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Funds – Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

Expendable Trust Fund – The expendable trust fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

Non-Expendable Trust Fund – The non-expendable trust fund is accounted for utilizing the accrual method of accounting. Non-expendable trust funds account for assets of which the principal may not be spent.

Account Groups – Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The following are the District's account groups:

General Fixed Assets – This group of accounts was established to account for all general fixed assets of the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements – Fund Financial Statements (Continued)

General Long-Term Obligations – This group of accounts has been established to account for unmatured general long-term obligations and certain other liabilities of the District not expected to be liquidated through the use of available expendable financial resources.

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. The governmental-wide statement uses the economic resources measurement focus.

Accrual

Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after the year end. A one-year period is used for revenue recognition for all other governmental fund revenues. Those revenues prone to accrual are property taxes, federal aid, interest-revenue, and charges for services.

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

State Foundation Revenue - For the fiscal year ended June 30, 2022, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. In previous years, the state utilized a district power equalizing approach. The Foundation is funded from state and local sources.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2022, the foundation allowance was based on 10% of the pupil membership count taken in February of 2021 and 90% taken in October of 2021.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

E. Cash and Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.

F. Interfund Balances and Transfers

The current portion of lending/borrowing arrangements between funds are identified as "due to/from other funds". The non-current portion of outstanding balances between funds are reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Transfers represent a flow of assets without equivalent flows of assets in return or a requirement for repayment.

G. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value. Inventories in the Food Service Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (Continued)

Donated fixed assets are valued at their estimated fair market value on the date received.

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

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

The District has adopted a capitalization policy of $2,000.

I. Long-Term Debt

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statements and the government-wide statements (either governmental activities or business-type activities, as applicable). Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Issuance costs are reported as deferred charges.

In the governmental fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt issued, and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

J. Compensated Absences

Amounts representing accumulated vacation and personal leave expected to be liquidated with expendable, available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it.

K. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized as revenue when levied to the extent they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Property Taxes (Continued)

The District, along with certain other governmental units, is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to $50 per $1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of $50 per $1,000 of assessed valuation. For the year ended June 30, 2022, the District levied the following amounts per $1,000 of assessed valuation:

Fund Mills	
General Fund - Non-Homestead	18.0
Debt Retirement	1.20
Sinking Fund	1.2925

L. Unemployment Insurance

The District reimburses the Unemployment Insurance Agency (UIA) for the actual amount of unemployment benefits disbursed by the UIA on behalf of the District. Billings received for amounts paid by the UIA through June 30 are accrued.

M. Fund Balance

The restricted fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Nonspendable fund balance represents the amount that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The unassigned fund balances for governmental funds represent the amount available for budgeting future operations.

N. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - all governmental fund types.

2. Public hearings are conducted to obtain taxpayer comments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgets (Continued)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget, or in excess of the amount appropriated. Any material expenditures in violation of the budgeting act are disclosed in the footnotes.

4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. Formal budgetary integration is employed as a management control device during the year for the general fund.

6. The budget, as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

The budget for the year ended June 30, 2022 was adopted on June 28, 2021 and formally amended on June 22, 2022.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

O. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 28, 2022, which is the date the financial statements were available to be issued.

P. Pension:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Other Post-Employment Benefits:

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 Systems (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported to MPSERS. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - CASH AND INVESTMENTS

Deposits

The District's cash and equivalents, as reported in the Statement of Net Position, consisted of the following:

Petty cash	$ 750
Checking accounts	529,498
Savings/money market accounts	146,701
TOTAL	$ 676,949

Deposit Risk

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require, and the District does not have a policy for, deposit custodial credit risk. As of June 30, 2022, the District held cash and equivalents in the amount of $726,713, of which $505,135 was insured through the FDIC and $221,578 was uninsured and uncollateralized.

Investments

The District's investments, as reported in the Statement of Net Position, consisted of the following:

Michigan Liquid Asset Fund (MILAF)	$ 286,017

Michigan statues authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District 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, 2022, the District's investments were not exposed to credit risk due to them being fully invested in governmental securities.

Investments are recorded at fair market value, which is based on quoted market prices.

*Interest Rat*e Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments are with the Michigan Liquid Asset Fund (MILAF) which consists of different funds including mutual funds with a high degree of liquidity. The District's investments are not subject to interest rate risk.

NOTE 3 - INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables for the year ended June 30, 2022 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Debt service	$ 42,658	General fund	$ 142,984
Capital Projects	45,943	Food Service	21,342
Food Service	75,725		
Total	$ 164,326	Total	$ 164,326

Interfund transfers for the year ended June 30, 2022 are as follows:

Fund	Transfers In	Fund	Transfers Out
Debt service	$ 84,395	General fund	$ 84,395

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CERTIFIED PUBLIC ACCOUNTANTS

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022 follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Assets not subject to depreciation:				
Land	$ 7,000	$ -	$ -	7,000
Assets subject to depreciation:				
Land improvements	362,553	-	-	362,553
Building	5,840,649	128,798	-	5,969,447
Equipment	667,455	19,744	(65,327)	621,872
Vehicles	643,130	-	-	643,130
TOTALS	7,520,787	$ 148,542	$ (65,327)	7,604,002
Accumulated Depreciation	(4,512,240)	$ (163,570)	$ 65,327	(4,610,483)
Net Capital Assets	$ 3,008,547			$ 2,993,519

Depreciation for the year ended June 30, 2022, amounted to $163,570. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

NOTE 5 - LONG-TERM OBLIGATIONS

During the year ended June 30, 2022, the following changes occurred in long-term obligations:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
General obligation bonds	$ 874,020	$ -	$ (235,665)	$ 638,355	$ 438,355
Loans payable	-	-	-	-	-
Early retirement incentives	13,334	40,000	(6,667)	46,667	19,999
Vested compensated absences	25,055	-	(7,058)	17,997	-
Net pension liability	5,710,154	-	(1,752,603)	3,957,551	-
Net OPEB liability	886,420	-	(624,413)	262,007	-
TOTALS	$ 7,508,983	$ 40,000	$ (2,626,406)	$ 4,922,577	$ 458,354

ONTONAGON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022
(Continued)

NOTE 6 - BONDS AND NOTES PAYABLE

Long-term obligations at June 30, 2022 is comprised of the following amounts:

1.	2009 Building and Site Bonds due May 1, 2023, with interest at 2%. Principal payments of $106,665 are set aside for a future balloon payment of $1,705,000, due May 1, 2023. The present value of the outstanding balance is reflected in the financial statements.	$ 318,355
2.	2010 Building and Site Bonds due in annual installments of $45,000 to $50,000 through May 1, 2027 with interest from 1.1% to 6.75%.	250,000
3.	2017 Bus Bond due in annual installments of $65,000 to $70,000 through May 1, 2023 with interest from 1.3% to 2.0%.	70,000
4.	Vested compensated absences.	17,997
5.	Early retirement incentive.	46,667
6.	Net OPEB liability	262,007
7.	Net pension liability.	3,957,551
	TOTAL LONG-TERM OBLIGATIONS	$ 4,922,577

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NOTE 6 - BONDS AND NOTES PAYABLE (Continued)

The annual requirements to amortize long-term obligations outstanding as of June 30, 2022 are as follows:

Year Ended June 30	Bond Issues Principal	Bond Issues Interest	Early Retirement & Compensated Absences	Net Pension & OPEB Liability	Total
2023	$ 438,355	$ 52,400	$ 19,999	$ -	$ 510,754
2024	50,000	13,400	-	-	63,400
2025	50,000	10,050	-	-	60,050
2026	50,000	6,700	-	-	56,700
2027	50,000	3,350	44,665	-	98,015
2028-2032	-	-	-	4,219,558	4,219,558
TOTALS	$ 638,355	$ 85,900	$ 64,664	$ 4,219,558	$ 5,008,477

Interest expense for the year ended June 30, 2022 was $78,244.

NOTE 7 - COMPENSATED ABSENCES

At June 30, 2022 accumulated non-vested sick time amounted to $30,518. Non-vested, unused sick time does not vest and so is not included in the general long-term debt account group.

NOTE 8 - FUND BALANCES

Portions of fund balances are restricted, nonspendable, or assigned and not available for general purposes other than fund usage as follows.

General – Nonspendable inventory	$18.805
Debt Service – Restricted for debt service	$87,960
Sinking Fund – Restricted for capital projects	$419,434
Food Service – Restricted for food service	$55,547
Nonspendable inventory	$5,680
Student Activities – Restricted for student activities	$93,346

NOTE 9 - SINKING FUND COMPLIANCE

The Capital Projects Fund includes activities funded with sinking fund tax dollars issued after May 1, 1994. For this capital project, the District has complied with the applicable provisions of §1351a of the Revised School Code.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description

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

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

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

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for 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 member 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.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Contributions

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

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

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

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

Required contributions to the pension plan from the District were $501,914 for the year ended September 30, 2021.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

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

At June 30, 2022, the District reported a liability of $3,957,551 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.01671587 percent, which was a increase of 0.00009295 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of $259,698. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$61,304	$23,305
Changes of Assumptions	249,470	-
Net difference between projected and actual earnings on pension plan investments	-	1,272,340
Changes in proportion and differences between Employer contributions and proportionate share of contributions	21,563	217,861
Employer contributions subsequent to the measurement date	278,149	-
Total	$610,486	$1,513,506

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

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

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 ended June 30, 2023. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as reported in the table as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
Year Ending September 30	Amount
2022	$39,531
2023	$(282,091)
2024	$(319,019)
2025	$(341,441)

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.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Actuarial Assumptions (Continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans	6.80% net of investment expenses
- Pension Plus Plan:	680% net of investment expenses
- Pension Plus 2 Plan:	6.0% 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 Mortallity Tables, scalded by 82% for Males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

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

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

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, 2021, are summarized in the following table:

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

**Long term rate of return does not include 2.0% inflation*

Rate of Return

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

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NOTE 10 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Discount Rate

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

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

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

1% Decrease (Non-Hybrid/Hybrid)* 5.8% / 5.8% / 5.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 68% / 6.8% / 6.0%	1% Increase (Non-Hybrid/Hybrid)* 7.8% / 7.8% / 7.0%
$5,658,225	$3,957,551	$2,547,581

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

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 CAFR; available on the ORS website at www.michigan.gov/orsschools.

NOTE 11 – 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.

Benefits Provided

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

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Benefits Provided (Continued)

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, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 20, 2038.

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

OPEB Contribution Rates			
Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.91%	8.43%
Personal Healthcare Fund (PHF)	0.00%	5.99%	7.57%

Required contributions to the OPEB plan from the District were $127,426 for the year ended September 30, 2021.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

At June 30, 2022, the District reported a liability of $262,007 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.0176528 percent, which was a increase of 0.00061916 percent from its proportion measured as of October 1, 2020.

For the year ending June 30, 2022, the District recognized OPEB expense of $(187,188). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$-	$747,880
Changes of Assumptions	219,025	32,774
Net difference between projected and actual earnings on OPEB plan investments	-	197,479
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,346	102,868
Employer contributions subsequent to the measurement date	28,288	-
Total	$287,659	$1,081,001

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2022	$(210,005)
2023	$(208,409)
2024	$(170,563)
2025	$(152,517)
2026	$(45,836)
Thereafter	$(6,012)

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, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 15; 3.0% Year 120

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions (Continued)

Mortality:	Retirees:	RP-2014 Male and female Healthy Annuitant Mortallity Tables, scalded by 82% for Males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:		
	Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
	Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
	Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312 for non-university employers*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Discount Rate

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

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
$486,856	$262,007	$71,190

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

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the 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 5.95%	Current Healthcare Cost Trend Rate 6.95%	1% Increase 7.95%
$63,770	$262,007	$485,047

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participated in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 13 - USE OF ESTIMATES

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

NOTE 14 - SIGNIFICANT ESTIMATES

Included in Notes 10 and 11 is a summary of the employee retirement plan provisions and actuarial assumptions. The actuarial assumptions are very critical to the computation of actuarial determined liabilities of the plan. If the assumptions differ from actual results annual contributions to the defined benefit plan can substantially change.

NOTE 15 – SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to cause business interruptions. Measures taken by various governments to contain the virus have affected economic activity. The District has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our teachers and students (such as social distancing and remote learning).

At this stage, the impact on the District has not been significant and based on our experience to date, we expect this to remain the case. As the District operates in state funded education, we have experienced increased grants provided to the District. The District will continue to follow the various government policies and advice and will continue to operate in the best and safest way possible without jeopardizing the health of the staff and students.

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REQUIRED SUPPLEMENTARY INFORMATION

ONTONAGON AREA SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)
	Original	Final	(See Note 1)
REVENUES:			
Local sources	$ 1,918,194	$ 2,076,884	$ 2,086,420
State sources	863,505	1,080,143	1,076,751
Federal sources	421,172	715,183	686,453
TOTAL REVENUES	3,202,871	3,872,210	3,849,624
EXPENDITURES:			
Instruction	1,743,290	2,019,510	1,987,390
Supporting services	1,335,880	1,671,705	1,630,325
TOTAL EXPENDITURES	3,079,170	3,691,215	3,617,715
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	123,701	180,995	231,909
OTHER FINANCING SOURCES (USES):			
Payments received from other governmental units	20,095	26,520	26,523
Other sources	18,895	50,485	50,489
Other (uses)	(2,100)	(2,100)	(1,616)
Transfers out	(84,395)	(84,395)	(84,395)
TOTAL OTHER FINANCING SOURCES (USES)	(47,505)	(9,490)	(8,999)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	76,196	171,505	222,910
FUND BALANCE, JULY 1	209,303	209,303	209,303
FUND BALANCE, JUNE 30	$ 285,499	$ 380,808	$ 432,213

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

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ONTONAGON AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (Amounts were determined as of 9/30 of each fiscal year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Reporting unit's proportion of net pension liability (%)			0.016715870%	0.016622920%	0.017146170%	0.018241360%	0.019433230%	0.020268800%	0.02004311%	0.02072%
B. Reporting unit's proportionate share of net pension liability			$ 3,957,551	$ 5,710,154	$ 5,678,235	$ 5,483,682	$ 5,035,976	$ 5,056,900	$ 4,895,535	$ 4,564,134
C. Reporting unit's covered-employee payroll			$ 1,542,234	$ 1,486,643	$ 1,483,919	$ 1,491,199	$ 1,588,139	$ 1,719,854	$ 1,677,879	$ 1,780,284
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)			26.13346%	26.13346%	26.13346%	27.19339%	31.53587%	34.01005%	34.27366%	39.00595%
E. Plan fiduciary net position as a percentage of total pension liability			72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

ONTONAGON AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (Amounts were determined as of 6/30 of each fiscal year)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions			$ 501,914	$ 456,820	$ 456,385	$ 451,261	$ 464,063	$ 456,991	$ 458,439	$ 520,024
B. Contributions in relation to statutorily required contributions*			$ 501,914	$ 456,820	$ 456,385	$ 451,261	$ 464,063	$ 456,991	$ 458,439	$ 520,024
C. Contribution deficiency (excess)			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
D. Reporting unit's covered-employee payroll			$ 1,735,937	$ 1,486,643	$ 1,474,217	$ 1,475,172	$ 1,511,196	$ 1,600,937	$ 1,671,970	$ 1,691,126
E. Contributions as a percentage of covered-employee payroll			28.91315%	30.72829%	30.95779%	30.59040%	30.70833%	28.54522%	27.41909%	30.75016%

* Contributions in relation to statutorily required contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

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

ONTONAGON AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (Amounts were determined as of 9/30 of each fiscal year)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. Reporting unit's proprtion of net OPEB liability (%)						0.01716528%	0.01654612%	1.69710000%	0.01750293%	0.01950709%
B. Reporting unit's proportionate share of net OPEB liability						$ 262,007	$ 886,420	$ 1,218,136	$ 1,391,299	$ 1,727,445
C. Reporting unit's covered-employee payroll						$ 1,542,234	$ 1,486,643	$ 1,483,919	$ 1,491,199	$ 1,588,139
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)						121.81883%	121.81883%	121.81883%	107.18034%	91.93572%
E. Plan fiduciary net position as a percentage of total OPEB liability						87.33%	59.44%	48.46%	42.95%	36.39%

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

ONTONAGON AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (Amounts were determined as of 6/30 of each fiscal year)

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
A. Statutorily required OPEB contributions						$ 127,426	$ 116,902	$ 117,147	$ 117,746	$ 109,140
B. OPEB contributions in relation to statutorily required contributions*						$ 127,426	$ 116,902	$ 117,147	$ 117,746	$ 109,140
C. Contribution deficiency (excess)						$ -	$ -	$ -	$ -	$ -
D. Reporting unit's covered-employee payroll						$ 1,735,937	$ 1,486,643	$ 1,474,217	$ 1,475,172	$ 1,511,196
E. OPEB contributions as a percentage of covered-employee payroll						7.34047%	7.86349%	7.94639%	7.98185%	7.22209%

* Contributions in relation to statutorily required OPEB contributions are the contributions an employer actuall made to the OPEB Plans, as distinct from the statutorily required contributions.

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

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

ONTONAGON AREA SCHOOL DISTRICT

FEDERAL SINGLE AUDIT REPORTS

For the Year Ended June 30, 2022

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

ONTONAGON AREA SCHOOL DISTRICT

TABLE OF CONTENTS

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

Board of Education
Ontonagon Area School District
Ontonagon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the governmental activities, each major fund, the aggregate remaining fund information, and each fiduciary fund type of the Ontonagon Area School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Ontonagon Area School District's basic financial statements, and have issued our report thereon dated October 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ontonagon Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ontonagon Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ontonagon Area 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given the limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ontonagon Area 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 determination of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Anderson Tackman & Co. PLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

October 28, 2022

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education
Ontonagon Area School District
Houghton, Michigan

Report on Compliance for Each Major Federal Program

We have audited Ontonagon Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ontonagon Area School District's major federal programs for the year ended June 30, 2022. Ontonagon Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ontonagon Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ontonagon Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ontonagon Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ontonagon Area 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, 2022.

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Report on Internal Control Over Compliance

Management of Ontonagon Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ontonagon Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ontonagon Area School District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Anderson Tackman & Co. PLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

October 28, 2022

ONTONAGON AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2021 Accrued Receivable	July 1, 2021 Deferred Revenue	Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	June 30, 2022 Accrued / (Deferred) Revenue
GENERAL FUND								
Flow Through - Michigan Department of Education								
U.S. Department of Education								
Title 1 Part A	84.010							
Source Project #2015301920		$ 84,412	$ 2,248	$ -	$ 82,913	$ -	$ 2,248	$ -
Source Project #2115302021		71,501	-	-	-	70,700	59,261	11,439
		155,913	2,248	-	82,913	70,700	61,509	11,439
Rural Education Achievement Program	84.358	16,434	-	-	-	16,434	16,434	-
		16,434	-	-	-	16,434	16,434	-
Improving Teacher Quality	84.367							
Source Project #2005201920		15,327	1,316	-	10,867	-	1,316	-
Source Project #2105202021		16,565	-	-	-	12,944	2,298	10,646
		31,892	1,316	-	10,867	12,944	3,614	10,646
Title IV	84.424							
Source Project #2007501920		10,300	6,741	-	9,281	-	6,741	-
Source Project #2107502021		11,019	-	-	-	10,519	2,000	8,519
		21,319	6,741	-	9,281	10,519	8,741	8,519
GEER Funds								
Source Project #2012002021 (GEER)	84.425C	18,882	374	-	3,820	6,978	4,884	2,468
Teacher & Support Staff Stipends 23c 2112022122	84.425C	8,500	7,500	-	7,500	-	7,500	-
Source Project #2037101920 (ESSER)	84.425D	70,855	39,103	-	69,569	-	39,103	-
Summer School 23b2a 2137222122	84.425D	27,500	10,716	-	10,716	10,035	10,716	10,035
Credit Recovery 23b2b 2137422122	84.425D	16,500	5,377	-	5,377	6,479	5,377	6,479
Source Project #2137122122	84.425D	259,183	-	-	-	233,007	94,760	138,247
Source Project #2137132122 (ESSER III)	84.425U	301,031	-	-	-	250,663	134,120	116,543
		702,451	63,070	-	96,982	507,162	296,460	273,772
Emergency Connectivity Fund	32.009	6,419	-	-	-	6,419	6,419	-
		6,419	-	-	-	6,419	6,419	-
TOTAL MICHIGAN DEPARTMENT OF EDUCATION		**934,428**	**73,375**	**-**	**200,043**	**624,178**	**393,177**	**304,376**
Flow Through - Ontonagon County Treasurer								
USDA - Forest Service	10.665							
Source Project 2021 Ottawa National Forest		62,275	-	-	-	62,275	62,275	-
TOTAL GENERAL FUND		**$ 996,703**	**$ 73,375**	**$ -**	**$ 200,043**	**$ 686,453**	**$ 455,452**	**$ 304,376**

The accompanying noted to the financail statements are an integral part of this statement

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

ONTONAGON AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2021 Accrued Receivable	July 1, 2021 Deferred Revenue	Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	June 30, 2022 Accrued / (Deferred) Revenue
FOOD SERVICE FUND								
Flow Through - Michigan Department of Education								
U.S. Department of Agriculture								
Breakfast Program / Seamless Summer Option (SSO)	10.553	$ 51,431	$ -	$ -	$ -	$ 51,431	$ 51,431	$ -
Lunch Program / Seamless Summer Option (SSO)	10.555	124,423	-	-	-	124,423	124,423	-
Supply Chain Assistance Funds	10.555	9,925	-	-	-	1,743	9,925	(8,182)
Food Distribution	10.555							
Entitlement Commodities		9,724	-	(856)	-	11,087	11,449	(856)
Pandemic EBT Local Level	10.649	614	-	-	-	614	614	-
TOTAL MICHIGAN DEPARTMENT OF EDUCATION, U.S. DEPARTMENT OF AGRICULTURE AND FOOD SERVICE FUND		**196,117**	**-**	**(856)**	**-**	**189,298**	**197,842**	**(9,038)**
TOTAL FEDERAL AWARDS		**$ 1,192,820**	**$ 73,375**	**$ (856)**	**$ 200,043**	**$ 875,751**	**$ 653,294**	**$ 295,338**

The accompanying noted to the financail statements are an integral part of this statement.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the Ontonagon Area School District's federal award programs and presents transactions that are included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

NOTE 2 - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule using Recipient Entitlement Balance Report and other district records. Spoilage of pilferage, if any, is included in expenditures.

NOTE 3 - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports.

NOTE 4 – INDIRECT COST RATE

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

ONTONAGON AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statement

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material Weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ No

Type of auditor's report issued on compliance for major programs:

Child Nutrition Cluster: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ☐ Yes ☒ No

Identification of major programs:

CFDA	Name of Federal Program or Cluster
84.425	Education Stabilization Funds

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

Auditee qualified as low risk auditee? ☐ Yes ☒ No

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

ONTONAGON AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022
(Continued)

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices throughout Michigan

Iron Mountain Office:
Shane M. Ellison, CPA, PC - Principal
Lynn M. Mott, MSA - Principal

Michelle Christian, BSA - Senior

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

October 28, 2022

To the Board of Education
Ontonagon Area School District

We have audited the financial statements of the governmental activities, each major fund, and the internal service fund of the Ontonagon Area School District for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 7, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ontonagon Area School District are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2022. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no major sensitive accounting estimates.

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate to the financial statements taken as a whole.

201 E. HUGHITT, IRON MOUNTAIN, MICHIGAN 49801 PHONE (906) 774-4300 FAX (906) 774-6926

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

ANDERSON, TACKMAN & COMPANY, PLC

By: Shane M. Ellison, CPA, PC

By: ______________________

Shane M. Ellison, President