East Jackson Community Schools

Year Ended
June 30, 2023

Financial Statements and Single Audit Compliance Act

Rehmann

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EAST JACKSON COMMUNITY SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 25, 2023

Board of Education
East Jackson Community Schools
Jackson, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***East Jackson Community Schools*** (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 25, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rehmann Robson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of East Jackson Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

Financial Highlights

· Total net position	$ (13,558,837)
· Change in total net position	3,049,660
· Fund balances, governmental funds	2,211,763
· Change in fund balances, governmental funds	836,219
· Unassigned fund balance, general fund	1,332,675
· Change in fund balance, general fund	1,087,199
· General obligation bonds outstanding	25,840,000
· Change in general obligation bonds	(1,700,000)
· Capital assets, net	27,040,357

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

1. *Government-wide Financial Statements*
2. *Fund Financial Statements*
3. *Notes to the Financial Statements*

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to the private business sector.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual balance reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, community services, athletics, and food service. The District has no business-type activities during the current year.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District are classified as *governmental funds.*

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Readers may better understand the long-term impact of the government's near-term financing decisions by doing it this way. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt retirement fund, and the 2019 capital projects fund, which are the District's major funds.

The District adopts an annual appropriated budget for its general fund, food service special revenue fund, and student service activity special revenue fund. A budgetary comparison statement has been provided herein to demonstrate compliance with the general fund budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Management's Discussion and Analysis

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plan immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $13,558,837 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, equipment and furniture, and vehicles); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	2023	2022
Assets		
Current and other assets	$ 3,774,428	$ 3,458,529
Capital assets, net	27,040,357	26,959,053
Total assets	30,814,785	30,417,582
Deferred outflows of resources	8,677,087	4,932,288
Liabilities		
Long-term liabilities	48,556,243	42,171,114
Other liabilities	1,665,292	1,881,393
Total liabilities	50,221,535	44,052,507
Deferred inflows of resources	2,829,174	7,905,860
Net position:		
Net investment in capital assets	7,524,484	6,084,266
Restricted	317,133	224,748
Unrestricted (deficit)	(21,400,454)	(22,917,511)
Total net position	$ (13,558,837)	$ (16,608,497)

Management's Discussion and Analysis

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position, which has a negative balance.

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the change in net position for the fiscal year 2023.

Governmental Activities

The District is required to report its proportionate share of the MPSERS net pension liability and net other postemployment benefits liability on the statement of net position. This results in a negative total net position of governmental activities of $13,558,837. Of this amount, $(21,400,454) is unrestricted net position (deficit) and $317,133 represents resources that are subject to external restrictions on how they may be used. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

	Change in Net Position	
	2023	**2022**
Revenues		
Program revenues:		
Charges for services	$ 285,295	$ 235,250
Operating grants and contributions	4,074,000	2,165,227
General revenues:		
Property taxes	3,954,145	3,660,563
Unrestricted state aid	7,328,789	6,447,391
Grants and contributions not restricted to specific programs	847,527	746,523
Unrestricted investment earnings	48,293	3,920
Total revenues	16,538,049	13,258,874
Expenses		
Instruction	6,995,937	5,870,083
Supporting services	3,907,079	3,553,333
Community services	27,127	28,433
Athletics	363,438	481,752
Food service	600,969	606,577
Interest on bonds and other long-term liabilities	669,356	618,908
Unallocated depreciation	924,483	800,100
Total expenses	13,488,389	11,959,186
Change in net position	3,049,660	1,299,688
Net position, beginning of year	(16,608,497)	(17,908,185)
Net position, end of year	$ (13,558,837)	$ (16,608,497)

Management's Discussion and Analysis

Net position increased $3,049,660, compared to a $1,299,688 increase in the prior year. This is primarily due to a $3.3 million increase in revenue, offset by a $1.5 million increase in expenses. These changes are largely due to the 147c(2) MPSERS One Time Deposit, finalizing and spending out of the ESSER II grant funds, and increases in taxable values.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $2,211,763. Approximately 60.3% of this total amount ($1,332,675) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, to indicate that it is not available for new spending because the underlying assets are included in prepaids or inventory and are not available for current expenditure, committed for spending, or it is constrained by externally imposed restrictions.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the general fund was $1,354,945, of which $1,332,675 is considered unassigned and the remaining balance is nonspendable for prepaids and inventory or restricted for the Community Caring Dinner. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents approximately 10.7% of total general fund expenditures.

The fund balance of the District's general fund increased $1,087,199 during the current fiscal year. This is largely due to realization of ESSER II and III revenues during the fiscal year.

The fund balance of the District's debt retirement fund increased $56,333 during the current fiscal year. This is largely due to levying 7 mills on a higher taxable basis and higher interest rates on the MILAF accounts.

The fund balance of the District's 2019 capital projects fund decreased $362,470 during the current fiscal year. This is attributable to a substantial amount of work being done on the capital improvement projects.

Management's Discussion and Analysis

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted at year end. A statement showing the District’s original and final budget amounts for the general fund compared with amounts actually paid and received is provided with the governmental fund section in these financial statements.

The original budget is adopted by the school board before the start of the District’s fiscal year and the final amended budget is adopted at the end of the fiscal year. The difference between the two relates to adjustments made in salaries, benefits, and general expenditures throughout the course of the year. Once the adjustments are known, the budget is adjusted accordingly.

As summarized below, during the 2023 fiscal year the General Fund had total revenues and other financing sources of $13,764,397 and total expenditures of $12,677,198. As a result, the fund balance at year-end increased by $1,087,199 to a total of $1,354,945.

	Summary of General Fund Performance For the Year Ended June 30, 2023		
	Original Budget	Final Budget	Actual Results
Total revenues and other financing sources	$ 10,766,246	$ 13,998,693	$ 13,764,397
Total expenditures	11,028,791	13,286,333	12,677,198
Net change in fund balance	(262,545)	712,360	1,087,199
Fund balance - Beginning of year	267,746	267,746	267,746
End of year	$ 5,201	$ 980,106	$ 1,354,945

The General Fund actual revenues and other financing sources were more than the original budget, but less than the final amended budget. This was due to the timing of grant funding.

The general fund actual expenditures were more than the original budget, but less than the final amended budget. This was largely due to building in a cushion for unknown expenditures and timing of grants to be recognized.

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2023, amounted to $27,040,357 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and furniture, and vehicles.

The major capital asset additions during the current fiscal year included MEP upgrades, visual and audio upgrade in the classrooms, upgrading the CAT 2 network, and updating the stock of Chromebooks and iPads.

	Capital Assets (Net of Depreciation)	
	2023	**2022**
Land	$ 256,527	$ 256,527
Construction in progress	6,904,900	6,516,950
Buildings and improvements	18,375,740	18,921,627
Equipment and furniture	1,091,314	760,531
Vehicles	411,876	503,418
Total capital assets, net	$ 27,040,357	$ 26,959,053

Additional information regarding the District's capital assets can be found in the notes to the financial statements.

Long-term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $27,233,550.

	Long-term Debt	
	2023	**2022**
General obligation bonds	$ 25,840,000	$ 27,540,000
School loan revolving fund	1,118,033	585,458
Unamortized premium	137,117	247,542
Compensated absences	138,400	149,107
Total	$ 27,233,550	$ 28,522,107

The District's total long-term debt decreased by $1,288,557. This was largely due to the principal payments of general obligation bond debt during the year.

Additional information regarding the District's long-term obligations can be found in the notes to the financial statements.

Management's Discussion and Analysis

Factors Bearing on the District's Future

The following factors were considered in preparing the District’s budget for the 2023-2024 fiscal year:

- A decrease of 15 from the spring 2023 student count
- $485 foundation allowance increase
- 2.5% increase in staff wages costs
- 1.5% increase in insurance costs
- 3% increase in net taxable value
- ESSER III budgeted for $180,000 to spend at 23-24 fiscal
- Increase in at-risk funding and approximate level Title I and II funding
- Retirement rate 31.34% per ORS
- The budget for the year ending June 30, 2024 was adopted in June 2023. The state did not finalize the budget until July 2023. The district is continuously evaluating the impacts of the pandemic as it determines the appropriate methods to deliver education to students in a safe environment. These factors will have a significant impact on the operational and financial performance of the District.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, 1404 N. Sutton Road, Jackson, MI 49202.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EAST JACKSON COMMUNITY SCHOOLS

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	$ 1,625,422
Due from other governments	2,058,843
Inventory and prepaid items	90,163
Capital assets not being depreciated	7,161,427
Capital assets being depreciated, net	19,878,930
Total assets	30,814,785
Deferred outflows of resources	
Deferred charge on advance bond refundings, net	1,080,445
Deferred pension amounts	6,107,485
Deferred other postemployment benefit amounts	1,489,157
Total deferred outflows of resources	8,677,087
Liabilities	
Accounts payable, accrued liabilities and notes payable	1,507,667
Unearned revenue	157,625
Bonds and other long-term liabilities:	
Due within one year	1,262,365
Due in more than one year	25,971,185
Net pension liability (due in more than one year)	20,205,360
Net other postemployment benefit liability (due in more than one year)	1,117,333
Total liabilities	50,221,535
Deferred inflows of resources	
Deferred pension amounts	381,737
Deferred other postemployment benefit amounts	2,447,437
Total deferred inflows of resources	2,829,174
Net position	
Net investment in capital assets	7,524,484
Restricted for:	
Food service	253,469
Debt service	56,986
Community Caring Dinner	6,678
Unrestricted (deficit)	(21,400,454)
Total net position	$ (13,558,837)

The accompanying notes are an integral part of these financial statements.

EAST JACKSON COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2023

		Program Revenues		
Functions / Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Net (Expense) Revenue**
Governmental activities				
Instruction	$ 6,995,937	$ -	$ -	$ (6,995,937)
Supporting services	3,907,079	214,690	3,391,470	(300,919)
Community services	27,127	-	-	(27,127)
Athletics	363,438	43,319	-	(320,119)
Food service	600,969	27,286	682,530	108,847
Interest on bonds and other long-term liabilities	669,356	-	-	(669,356)
Unallocated depreciation	924,483	-	-	(924,483)
Total governmental activities	$ 13,488,389	$ 285,295	$ 4,074,000	(9,129,094)
General revenues				
Property taxes				3,954,145
Unrestricted state aid				7,328,789
Grants and contributions not restricted to specific programs				847,527
Unrestricted investment earnings				48,293
Total general revenues				12,178,754
Change in net position				3,049,660
Net position, beginning of year				(16,608,497)
Net position, end of year				$ (13,558,837)

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

EAST JACKSON COMMUNITY SCHOOLS

Balance Sheet

Governmental Funds
June 30, 2023

	General Fund	Debt Retirement Fund	2019 Capital Projects	Nonmajor Governmental Funds	Totals
Assets					
Cash and cash equivalents	$ 778,339	$ 167,256	$ 359,072	$ 320,755	$ 1,625,422
Due from other governments	1,939,915	-	91,756	27,172	2,058,843
Due from other funds	68,527	-	-	638	69,165
Inventory	-	-	-	74,571	74,571
Prepaid items	15,592	-	-	-	15,592
Total assets	$ 2,802,373	$ 167,256	$ 450,828	$ 423,136	$ 3,843,593
Liabilities					
Accounts payable	$ 77,271	$ -	$ 110,544	$ 5,331	$ 193,146
Salaries and retirement payable	1,069,381	-	-	-	1,069,381
Due to other funds	638	7,643	24,485	36,399	69,165
State aid note payable	142,513	-	-	-	142,513
Unearned revenue	157,625	-	-	-	157,625
Total liabilities	1,447,428	7,643	135,029	41,730	1,631,830
Fund balances					
Nonspendable:					
Inventory	-	-	-	74,571	74,571
Prepaid items	15,592	-	-	-	15,592
Restricted:					
Debt service	-	159,613	-	-	159,613
Capital projects	-	-	315,799	-	315,799
Food service	-	-	-	178,898	178,898
Community Caring Dinner	6,678	-	-	-	6,678
Committed -					
Student service activity	-	-	-	127,937	127,937
Unassigned	1,332,675	-	-	-	1,332,675
Total fund balances	1,354,945	159,613	315,799	381,406	2,211,763
Total liabilities and fund balances	$ 2,802,373	$ 167,256	$ 450,828	$ 423,136	$ 3,843,593

The accompanying notes are an integral part of these financial statements.

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2023

Fund balances - total governmental funds	$ 2,211,763
Amounts reported for *governmental activities* in the statement of net position are different because:	
Certain assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	7,161,427
Capital assets being depreciated, net	19,878,930
Certain liabilities, such as bonds and other long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable and school loan revolving fund	(26,958,033)
Unamortized bond premium	(137,117)
Deferred charge on advance bond refundings, net	1,080,445
Accrued interest on bonds payable	(102,627)
Compensated absences	(138,400)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net other postemployment benefit liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(20,205,360)
Deferred outflows related to the net pension liability	6,107,485
Deferred inflows related to the net pension liability	(381,737)
Net other postemployment benefit liability	(1,117,333)
Deferred outflows related to the net other postemployment benefit liability	1,489,157
Deferred inflows related to the net other postemployment benefit liability	(2,447,437)
Net position of governmental activities	$ (13,558,837)

The accompanying notes are an integral part of these financial statements.

EAST JACKSON COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Debt Retirement Fund	2019 Capital Projects	Nonmajor Governmental Funds	Totals
Revenues					
Local sources:					
Property taxes	$ 2,030,866	$ 1,923,279	$ -	$ -	$ 3,954,145
Interest	14,002	-	34,291	-	48,293
Other local revenues	988,451	-	-	163,552	1,152,003
State sources	7,973,205	-	-	28,790	8,001,995
Federal sources	2,727,873	-	-	653,740	3,381,613
Total revenues	13,734,397	1,923,279	34,291	846,082	16,538,049
Expenditures					
Current:					
Instruction	7,837,624	-	-	-	7,837,624
Supporting services	4,087,832	-	-	116,508	4,204,340
Community services	27,234	-	-	-	27,234
Athletics	386,082	-	-	-	386,082
Food service	-	-	-	644,417	644,417
Capital outlay	338,426	-	587,165	-	925,591
Debt service:					
Principal	-	1,700,000	-	-	1,700,000
Interest and fiscal charges	-	675,182	-	-	675,182
Total expenditures	12,677,198	2,375,182	587,165	760,925	16,400,470
Revenues over (under) expenditures	1,057,199	(451,903)	(552,874)	85,157	137,579
Other financing sources (uses)					
Issuance of other long-term liabilities	-	508,236	-	-	508,236
Proceeds from sale of assets held for sale	-	-	190,404	-	190,404
Transfers in	30,000	-	-	-	30,000
Transfers out	-	-	-	(30,000)	(30,000)
Total other financing sources (uses)	30,000	508,236	190,404	(30,000)	698,640
Net change in fund balances	1,087,199	56,333	(362,470)	55,157	836,219
Fund balances, beginning of year	267,746	103,280	678,269	326,249	1,375,544
Fund balances, end of year	$ 1,354,945	$ 159,613	$ 315,799	$ 381,406	$ 2,211,763

The accompanying notes are an integral part of these financial statements.

EAST JACKSON COMMUNITY SCHOOLS

Reconciliation

Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds	$ 836,219
Amounts reported for *governmental activities* in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported depreciation expense.	
Capital assets purchased/constructed	1,036,338
Depreciation expense	(924,483)
Loss on disposal of capital assets	(30,551)
Proceeds from sale of assets held for sale	(190,404)
Loss on sale of assets held for sale	(122,596)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases bonds and other long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces bonds and other long-term liabilities in the statement of net position.	
Principal payments on bonds	1,700,000
Issuance of other long-term liabilities	(508,236)
Amortization of deferred charge on advance bond refundings	(89,041)
Amortization of premium on general obligation bonds	110,425
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in net pension liability and related deferred amounts	268,094
Change in net other postemployment benefit liability and related deferred amounts	968,746
Change in accrued interest payable on bonds payable	(15,558)
Change in the accrual for compensated absences	10,707
Change in net position of governmental activities	$ 3,049,660

The accompanying notes are an integral part of these financial statements.

EAST JACKSON COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	$ 1,880,523	$ 2,026,172	$ 2,030,866	$ 4,694
Interest	3,000	7,000	14,002	7,002
Other local revenues	786,490	970,705	988,451	17,746
State revenue	7,105,751	8,099,152	7,973,205	(125,947)
Federal revenue	960,482	2,865,664	2,727,873	(137,791)
Total revenues	10,736,246	13,968,693	13,734,397	(234,296)
Expenditures				
Current:				
Instruction:				
Basic programs	5,272,288	5,778,476	5,630,420	(148,056)
Added needs	1,613,067	2,247,345	2,207,204	(40,141)
Total instruction	6,885,355	8,025,821	7,837,624	(188,197)
Supporting services:				
Pupil	205,250	470,928	441,485	(29,443)
Instructional staff	195,249	293,177	205,521	(87,656)
General administration	373,022	422,400	413,826	(8,574)
School administration	818,771	937,330	909,608	(27,722)
Business services	176,760	225,239	216,541	(8,698)
Operations and maintenance	1,592,661	1,610,635	1,447,339	(163,296)
Pupil transportation	357,863	458,168	423,067	(35,101)
Central services	14,434	25,939	30,445	4,506
Total supporting services	3,734,010	4,443,816	4,087,832	(355,984)
Community services	10,692	4,238	27,234	22,996
Athletics	383,734	355,029	386,082	31,053
Capital outlay	15,000	457,429	338,426	(119,003)
Total expenditures	11,028,791	13,286,333	12,677,198	(609,135)
Revenues over (under) expenditures	(292,545)	682,360	1,057,199	374,839
Other financing sources				
Transfers in	30,000	30,000	30,000	-
Net change in fund balance	(262,545)	712,360	1,087,199	374,839
Fund balance, beginning of year	267,746	267,746	267,746	-
Fund balance, end of year	$ 5,201	$ 980,106	$ 1,354,945	$ 374,839

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

East Jackson Community Schools (the "District") has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes received, intergovernmental revenue, and interest revenue earned within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The g*eneral fund* is used to account for all financial resources not accounted for and reported in another fund.

The d*ebt retirement fund* is used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

The *2019 capital projects fund* is used to account for financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets for the bond issue.

The District reports the following fund type -

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments

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

The District's investments in the Michigan Liquid Asset Fund (MILAF) cash management pool are recorded at amortized cost.

Receivables and Payables

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

Inventory

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the general fund and special revenue fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of fund balance.

Prepaids

Payments to vendors for services that will benefit periods beyond the District's fiscal year-end are recorded as prepaids in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000, computer and associated computer equipment costing more than $1,000, and electronic equipment costing more than $500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District does not have infrastructure-type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and improvements	25-50
Equipment and furniture	5-20
Vehicles	8-10

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at year end for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year. The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources relate to pension and other postemployment benefit liabilities.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance,* if applicable, is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance,* if applicable, for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund and for negative amounts in other funds. The District reported no assigned fund balance.

When the District incurs an expenditure for purposes for which various fund balance classification can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

Pensions and Other Postemployment Benefits

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

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

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on an activity basis.

Notes to Financial Statements

3. ACCOUNTABILITY AND COMPLIANCE

Excess of Expenditures Over Appropriations

During the year ended June 30, 2023, the District incurred certain expenditures in excess of the amounts appropriated as follows:

	Final Budget	Actual	Over Budget
General fund			
Supporting services-			
Central services	$ 25,939	$ 30,445	$ 4,506
Community services	4,238	27,234	22,996
Athletics	355,029	386,082	31,053

2019 Capital Projects Fund Compliance

The 2019 Capital Projects Fund records capital project activities funded with proceeds from the 2019 and 2020 building and site bonds. For these activities, the District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Statement of Net Position	
Cash and cash equivalents	$ 1,625,422
Deposits and investments	
Bank deposits (checking and savings accounts)	$ 1,351,656
Investments	273,310
Cash on hand	456
Total	$ 1,625,422

Statutory Authority

State statutes authorize the District to invest in:

(a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

(b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

(c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

(d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

(e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

(f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. At year end, the District had the following investments:

Investment	Maturity	Amortized Cost	Rating
Michigan Liquid Asset Fund (MILAF) - MAX Class	n/a	$ 273,310	S&P - AAAm

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. 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. All investments held at year-end are reported above.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. 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 year end, $926,496 of the District's bank balance of $1,426,496 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, 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. State law does not require and the District does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk as these investments are uncategorized as to risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

EAST JACKSON COMMUNITY SCHOOLS

Notes to Financial Statements

5. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	$ 256,527	$ -	$ -	$ -	$ 256,527
Construction in progress	6,516,950	387,950	-	-	6,904,900
Total capital assets not being depreciated	6,773,477	387,950	-	-	7,161,427
Capital assets being depreciated:					
Buildings and improvements	30,364,550	5,675	-	-	30,370,225
Equipment and furniture	5,988,370	642,713	(1,391,552)	-	5,239,531
Vehicles	1,394,219	-	(366,760)	-	1,027,459
Total capital assets being depreciated	37,747,139	648,388	(1,758,312)	-	36,637,215
Less accumulated depreciation for:					
Buildings and improvements	(11,442,923)	(551,562)	-	-	(11,994,485)
Equipment and furniture	(5,227,839)	(281,379)	1,361,001	-	(4,148,217)
Vehicles	(890,801)	(91,542)	366,760	-	(615,583)
Total accumulated depreciation	(17,561,563)	(924,483)	1,727,761	-	(16,758,285)
Total capital assets being depreciated, net	20,185,576	(276,095)	(30,551)	-	19,878,930
Governmental activities capital assets, net	$ 26,959,053	$ 111,855	$ (30,551)	$ -	$ 27,040,357

Depreciation expense of $924,483 was charged to the function “unallocated depreciation”, and was not allocated to other functions.

At June 30, 2023, outstanding construction commitments totaled approximately $54,000.

Notes to Financial Statements

6. PAYABLES

Accounts payable, accrued liabilities, and notes payable as of year end for the District's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	2019 Capital Projects	Nonmajor Governmental Funds	Total
Fund Financial Statements				
Accounts payable	$ 77,271	$ 110,544	$ 5,331	$ 193,146
Salaries and retirement payable	1,069,381	-	-	1,069,381
State aid note payable	142,513	-	-	142,513
	$ 1,289,165	$ 110,544	$ 5,331	1,405,040
Government-wide Financial Statements				
Accrued interest on bonds payable				102,627
				$ 1,507,667

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2023, interfund receivables and payables consisted of the following:

	Due From	Due To
General fund	$ 68,527	$ 638
Debt retirement fund	-	7,643
2019 capital projects fund	-	24,485
Nonmajor governmental funds	638	36,399
	$ 69,165	$ 69,165

The District often reports interfund balances between many of its funds. These interfund balances result primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

For the year ended June 30, 2023, the District transferred $30,000 to the general fund from the nonmajor food service fund to settle allocable costs between the funds.

8. BONDS AND OTHER LONG-TERM LIABILITIES

Bonds and other long-term liabilities of the District consists of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	$ 27,540,000	$ -	$ (1,700,000)	$ 25,840,000	$ 1,230,000
Direct borrowings -					
School loan revolving fund	585,458	532,575	-	1,118,033	-
Unamortized bond premium	247,542	-	(110,425)	137,117	12,115
Compensated absences	149,107	64,224	(74,931)	138,400	20,250
Total	$ 28,522,107	$ 596,799	$ (1,885,356)	$ 27,233,550	$ 1,262,365

Compensated absences are generally liquidated by the general fund.

Bonds payable at June 30, 2023 are as follows:

General Obligation Bonds

$13,610,000 2014 Building and Site Bonds, due in installments of $150,000 to $995,000 through 2039, interest at 2.00% - 5.00%	$ 575,000
$7,690,000 2019 Building and Site Bonds, due in annual installments of $150,000 to $500,000 through 2044, interest at 3.00%	7,090,000
$2,995,000 2019 Refunding Bonds (SBLF), due in annual installments of $670,000 to $835,000 through 2030, interest at 2.523% - 2.673%	2,995,000
$990,000 2020 Building and Site Bonds, due in annual installments of $240,000 to $250,000 through 2025, interest at 2.0%	500,000
$15,115,000 2021 Refunding Bonds (partial SLRF), due in annual installments of $185,000 to $1,195,000 through 2039, interest at 0.25% - 2.70%	14,680,000
	$ 25,840,000

Notes to Financial Statements

General Obligation Bonds Service Requirements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	$ 1,230,000	$ 615,763	$ 1,845,763
2025	1,365,000	574,331	1,939,331
2026	1,425,000	554,705	1,979,705
2027	1,845,000	535,341	2,380,341
2028	1,960,000	498,689	2,458,689
2029-2033	7,795,000	1,872,651	9,667,651
2034-2038	6,425,000	1,080,710	7,505,710
2039-2043	3,295,000	315,736	3,610,736
2044	500,000	15,000	515,000
	$ 25,840,000	$ 6,062,926	$ 31,902,926

The State of Michigan School Loan Funds represent amounts borrowed from the State of Michigan School Bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the School Loan Funds for the year ended June 30, 2023, are as follows:

	School Loan Revolving Fund		
	Principal	Interest	Total
Beginning balance	$ 584,118	$ 1,340	$ 585,458
Additions	508,236	24,339	532,575
Ending balance	$ 1,092,354	$ 25,679	$ 1,118,033

Notes to Financial Statements

9. STATE AID ANTICIPATION NOTES

During the year, the District financed some of its operations through the issuance of a State Aid Anticipation Note. This note was issued for a term of less than one year, and accordingly, is recorded as a liability of the respective fund from which it was issued. At year end, the note outstanding consisted of $142,513, due on July 20, 2023, with interest at 1.97%. Short-term note activity for the year ended June 30, 2023, was as follows:

General fund	
State Aid Anticipation Notes:	
Beginning balance	$ 107,251
Additions	712,564
Reductions	(677,302)
Ending balance	$ 142,513

10. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2023, the composition of net investment in capital assets was comprised of the following:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	$ 7,161,427
Capital assets being depreciated, net	19,878,930
	27,040,357
Less related debt:	
Bonds payable (capital related)	20,775,000
Unamortized bond premium	137,117
Unamortized deferred charge on advance bond refundings	(1,080,445)
Unspent bond proceeds	(315,799)
	19,515,873
Net investment in capital assets	$ 7,524,484

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Notes to Financial Statements

12. PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied on December 1 by township governments whose boundaries include property within the District and are due on February 14. Delinquent real taxes are advanced to the District by the Revolving Tax Funds of the counties involved.

13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "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 the ORS website at www.michigan.gov/orsschools.

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. 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.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

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

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

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

Contributions

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

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

The table below summarizes pension contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	20.14% - 20.16%
Member Investment Plan (MIP)	3.00% - 7.00%	20.14% - 20.16%
Pension Plus	3.00% - 6.40%	17.22% - 17.24%
Pension Plus 2	6.20%	19.93% - 19.95%
Defined Contribution	0.00%	13.73% - 13.75%

For the year ended June 30, 2023, required and actual contributions from the District to the pension plan were $1,989,616, which included $908,274, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate. In addition, the District had additional contributions of $528,968, which was a one-time, state payment toward the MPSERS unfunded liability.

The table below summarizes OPEB contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.07% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.21% - 7.23%

For the year ended June 30, 2023, required and actual contributions from the District to the OPEB plan were $445,129.

The table below summarizes defined contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2023, required and actual contributions from the District for those members with a defined contribution benefit were $115,212.

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

At June 30, 2023, the District reported a liability of $20,205,360 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The District’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the District’s proportion was 0.05373%, which was a decrease of 0.00044% from its proportion measured as of September 30, 2021.

Notes to Financial Statements

For the year ended June 30, 2023, the District recognized pension expense of $2,235,346. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 202,124	$ 45,177	$ 156,947
Changes in assumptions	3,472,005	-	3,472,005
Net difference between projected and actual earnings on pension plan investments	47,382	-	47,382
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	336,560	(336,560)
	3,721,511	381,737	3,339,774
District contributions subsequent to the measurement date	2,385,974	-	2,385,974
Total	$ 6,107,485	$ 381,737	$ 5,725,748

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

Year Ended June 30,	Amount
2024	$ 906,553
2025	671,374
2026	613,969
2027	1,147,878
Total	$ 3,339,774

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

At June 30, 2023, the District reported a liability of $1,117,333 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was 0.05275% which was a decrease of 0.00118% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of $(522,697). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 2,188,428	$ (2,188,428)
Changes in assumptions	995,915	81,093	914,822
Net difference between projected and actual earnings on OPEB plan investments	87,328	-	87,328
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,803	177,916	(162,113)
	1,099,046	2,447,437	(1,348,391)
District contributions subsequent to the measurement date	390,111	-	390,111
Total	$ 1,489,157	$ 2,447,437	$ (958,280)

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

Year Ended June 30,	Amount
2024	$ (486,827)
2025	(408,993)
2026	(377,328)
2027	(40,298)
2028	(32,471)
Thereafter	(2,474)
Total	$ (1,348,391)

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. The total pension and OPEB liabilities in the September 30, 2021 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
	Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.

Other OPEB 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.

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 and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2022, are based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.3922 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2250 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions. The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, 6.00% for the Pension Plus Plan, and 6.00% for OPEB.

Long-term Expected Return on Pension Plan Assets

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	2.00%	-0.47%	-0.01%
	100.00%		4.67%
Inflation			2.20%
Risk adjustment			-0.87%
Investment rate of return			6.00%

Long-term Expected Return on OPEB Plan Assets

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	2.00%	-0.47%	-0.01%
	100.00%		4.67%
Inflation			2.20%
Risk adjustment			-0.87%
Investment rate of return			6.00%

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates 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 and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

	1% Decrease (5.00%)	**Current Discount Rate (6.00%)**	**1% Increase (7.00%)**
District's proportionate share of the net pension liability	$ 26,663,568	$ 20,205,360	$ 14,883,505

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

	1% Decrease (5.00%)	**Current Discount Rate (6.00%)**	**1% Increase (7.00%)**
District's proportionate share of the net OPEB liability	$ 1,874,219	$ 1,117,333	$ 479,942

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

	1% Decrease	**Current Healthcare Cost Trend Rate**	**1% Increase**
District's proportionate share of the net OPEB liability	$ 467,886	$ 1,117,333	$ 1,846,351

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2023, the District reported a payable of $365,458 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2023.

Payable to the OPEB Plan

At June 30, 2023, the District reported a payable of $41,641 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2023.

14. ADDITIONAL PENSION BENEFITS

Per the Agreement by and between the East Jackson Education Association and East Jackson Community Schools, in the District's appreciation for services to the District, a terminal leave payment of 0.25% per year of the retiring year's pay, not to exceed a maximum of 5%, will be paid to all teachers qualifying for retirement under the Michigan Public School Employee Retirement System, upon retirement, provided this teacher shall have been employed in the District for ten years or more. Periods of unpaid leave including workers compensation and layoff will not constitute a disruption in service but will not be counted. Management has determined that this potential liability is not material to the financial statements as a whole.

15. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past two years, the District has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately $2.3 million was expended and recognized as revenue during the current fiscal year. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.

16. SUBSEQUENT EVENTS

State Aid Note

On August 21, 2023, the District issued state aid note Series 2023A-1 in the amount of $800,000 with an interest rate of 3.46%, which the District will pay in set asides beginning in January 2024 through July 2024, maturing on July 22, 2024. On August 21, 2023, the District issued state aid note Series 2023A-2 in the amount of $200,000 with an interest rate of 3.46%, which the District will pay in full on July 20, 2024.

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REQUIRED SUPPLEMENTARY INFORMATION

EAST JACKSON COMMUNITY SCHOOLS

Required Supplementary Information

MPSER Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,		
	2023	2022	2021
District's proportionate share of the net pension liability	$ 20,205,360	$ 12,825,792	$ 18,890,975
District's proportion of the net pension liability	0.05373%	0.05417%	0.05499%
District's covered payroll	$ 5,135,584	$ 4,878,260	$ 4,777,220
District's proportionate share of the net pension liability as a percentage of its covered payroll	393.44%	262.92%	395.44%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%

See notes to required supplementary information.

Year Ended June 30,					
2020	2019	2018	2017	2016	2015
$ 18,473,146	$ 16,915,763	$ 15,166,004	$ 15,880,943	$ 15,527,622	$ 13,871,772
0.05578%	0.05627%	0.05852%	0.06365%	0.06357%	0.06297%
$ 4,887,866	$ 4,727,271	$ 4,684,289	$ 5,389,315	$ 5,301,159	$ 4,875,576
377.94%	357.83%	323.76%	294.67%	292.91%	284.52%
60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Required Supplementary Information

MPSER Cost-Sharing Multiple-Employer Plan

Schedule of the District's Pension Contributions

	Year Ended June 30,		
	2023	2022	2021
Statutorily required contribution	$ 1,989,616	$ 1,819,746	$ 1,615,613
Contributions in relation to the statutorily required contribution	(1,989,616)	(1,819,746)	(1,615,613)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 5,738,083	$ 5,051,159	$ 4,811,292
Contributions as a percentage of covered payroll	34.67%	36.03%	33.58%

See notes to required supplementary information.

Year Ended June 30,					
2020	2019	2018	2017	2016	2015
$ 1,505,597	$ 1,470,842	$ 1,589,578	$ 1,385,456	$ 1,401,826	$ 1,239,586
(1,505,597)	(1,470,842)	(1,589,578)	(1,385,456)	(1,401,826)	(1,239,586)
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,765,940	$ 4,824,798	$ 4,628,406	$ 4,865,554	5,216,701	$ 4,835,066
31.59%	30.49%	34.34%	28.47%	26.87%	25.64%

EAST JACKSON COMMUNITY SCHOOLS

Required Supplementary Information

MPSER Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (OPEB) Liability

	Year Ended June 30,		
	2023	2022	2021
District's proportionate share of the net OPEB liability	$ 1,117,333	$ 823,215	$ 2,889,131
District's proportion of the net OPEB liability	0.05275%	0.05393%	0.05393%
District's covered payroll	$ 5,135,584	$ 4,878,260	$ 4,777,220
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.76%	16.88%	60.48%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%	59.44%

See notes to required supplementary information.

Year Ended June 30,		
2020	2019	2018
$ 4,012,271	4,413,501	$ 5,217,193
0.05590%	0.05552%	0.05891%
$ 4,887,866	$ 4,727,271	$ 4,684,289
82.09%	93.36%	111.38%
48.46%	42.95%	36.39%

Required Supplementary Information

MPSER Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,		
	2023	2022	2021
Statutorily required contribution	$ 445,129	$ 392,234	$ 394,488
Contributions in relation to the statutorily required contribution	(445,129)	(392,234)	(394,488)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 5,738,083	$ 5,051,159	$ 4,811,292
Contributions as a percentage of covered payroll	7.76%	7.77%	8.20%

See notes to required supplementary information.

Year Ended June 30,		
2020	2019	2018
$ 379,699	$ 377,739	$ 242,665
(379,699)	(377,739)	(242,665)
$ -	$ -	$ -
$ 4,765,940	$ 4,824,798	$ 4,628,406
7.97%	7.83%	5.24%

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

COMBINING FUND FINANCIAL STATEMENTS

EAST JACKSON COMMUNITY SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2023

	Special Revenue		
	Food Service	Student Service Activity	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	$ 191,715	$ 129,040	$ 320,755
Due from other governments	27,172	-	27,172
Due from other funds	613	25	638
Inventory	74,571	-	74,571
Total assets	$ 294,071	$ 129,065	$ 423,136
Liabilities			
Accounts payable	$ 4,203	$ 1,128	$ 5,331
Due to other funds	36,399	-	36,399
Total liabilities	40,602	1,128	41,730
Fund balances			
Nonspendable -			
Inventory	74,571	-	74,571
Restricted -			
Food service	178,898	-	178,898
Committed -			
Student service activity	-	127,937	127,937
Total fund balances	253,469	127,937	381,406
Total liabilities and fund balances	$ 294,071	$ 129,065	$ 423,136

EAST JACKSON COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue		
	Food Service	Student Service Activity	Total Nonmajor Governmental Funds
Revenues			
Local sources -			
Other local revenues	$ 27,286	$ 136,266	$ 163,552
State sources	28,790	-	28,790
Federal sources	653,740	-	653,740
Total revenues	709,816	136,266	846,082
Expenditures			
Current:			
Supporting services	-	116,508	116,508
Food service	644,417	-	644,417
Total expenditures	644,417	116,508	760,925
Revenues over expenditures	65,399	19,758	85,157
Other financing uses			
Transfers out	(30,000)	-	(30,000)
Net change in fund balances	35,399	19,758	55,157
Fund balances, beginning of year	218,070	108,179	326,249
Fund balances, end of year	$ 253,469	$ 127,937	$ 381,406

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SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

October 25, 2023

Board of Education
East Jackson Community Schools
Jackson, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***East Jackson Community Schools*** (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 25, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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EAST JACKSON COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Agriculture			
Child Nutrition Cluster:			
Seamless Summer Option (SSO) - Breakfast	10.553	MDE	221971
School Breakfast Program	10.553	MDE	221970
School Breakfast Program	10.553	MDE	231970
Entitlement Commodities (non-cash assistance)	10.555	MDE	-n/a-
Entitlement Bonus (non-cash assistance)	10.555	MDE	-n/a-
Seamless Summer Option (SSO) - Lunch	10.555	MDE	221961
Supply Chain Assistance	10.555	MDE	220910
Supply Chain Assistance	10.555	MDE	230910
National School Lunch Program	10.555	MDE	221960
National School Lunch Program	10.555	MDE	231960
National School Lunch Program - After School Snack	10.555	MDE	221980
National School Lunch Program - After School Snack	10.555	MDE	231980
Extended Summer Food Service Program	10.559	MDE	210904
Summer Food Service Program - Operating	10.559	MDE	220900
Summer Food Service Program - Operating	10.559	MDE	230900
Total Child Nutrition Cluster			
Child and Adult Care Food Program - Meals	10.558	MDE	231920
Child and Adult Care Food Program - Cash in Lieu	10.558	MDE	232010
COVID-19 - Pandemic EBT Local Level Costs	10.649	MDE	220980
Total U.S. Department of Agriculture			
U.S. Federal Communications Commission			
COVID-19 - Emergency Connectivity Fund Program	32.009	USAC	-n/a-

Approved Awards Amount	Expenditures (Memo Only) Prior Year(s)	Accrued (Unearned) Revenue at July 1, 2022	Federal Funds / Payments In-Kind Received	Expenditures Year Ended June 30, 2023	Accrued (Unearned) Revenue at June 30, 2023
$ 163,541	$ 163,541	$ 8,526	$ 8,526	$ -	$ -
25,320	-	-	25,320	25,320	-
146,890	-	-	140,180	146,890	6,710
		8,526	174,026	172,210	6,710
26,101	-	-	26,101	26,101	-
587	-	-	587	587	-
352,794	344,286	18,464	18,464	-	-
39,761	19,740	-	20,021	20,021	-
11,359	-	-	11,359	11,359	-
60,084	-	-	60,084	60,084	-
338,124	-	-	322,876	338,124	15,248
5,645	4,515	171	1,301	1,130	-
5,885	-	-	5,866	5,885	19
		18,635	466,659	463,291	15,267
228,038	228,038	4,763	4,763	-	-
12,563	-	-	7,800	7,800	-
4,000	-	-	-	1,767	1,767
		4,763	12,563	9,567	1,767
		31,924	653,248	645,068	23,744
2,539	-	-	2,539	2,539	-
189	-	-	189	189	-
		-	2,728	2,728	-
628	-	-	628	628	-
		31,924	656,604	648,424	23,744
53,298	23,604	23,604	23,604	-	-

continued…

EAST JACKSON COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Education			
Title I, Part A - Improving Basic Programs:			
Project 221530 - Regular 21-22	84.010	MDE	221530
Project 231530 - Regular 22-23	84.010	MDE	231530
Education for Homeless Children and Youth -			
McKinney Vento Grant - 22/23	84.196	JCISD	-n/a-
Title II, Part A - Supporting Effective Instruction State Grants:			
Project 220520 - Regular 21-22	84.367	MDE	220520
Project 230520 - Regular 22-23	84.367	MDE	230520
Title IV - Student Support and Academic Enrichment Program:			
Project 220750 - Regular 21-22	84.424	MDE	220750
Project 230750 - Regular 22-23	84.424	MDE	230750
COVID-19 - Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief (ESSER) Fund:			
ESSER Formula Funds II - Project 213712 - 20-21	84.425D	MDE	213712
ESSER II - Summer Programming K-8 -			
Project 213722 - 2122	84.425D	MDE	213722
ESSER II - Credit Recovery 9-12 -			
Project 213742 - 2122	84.425D	MDE	213742
98c Learning Loss Grant -			
Project 213782 - 2223	84.425D	MDE	213782
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP - ESSER):			
ESSER III - American Rescue Plan -			
Project 213713 - 2122	84.425U	MDE	213713
Homeless Children & Youth American Rescue Plan (ARP) Homeless II -			
Project 211012 - 2122	84.425W	MDE	211012
Total U.S. Department of Education			
U.S. Department of Health and Human Services			
Medicaid Cluster -			
Medical Assistance Program -			
Medicaid Outreach	93.778	JCISD	-n/a-
Total Federal Financial Assistance			

See notes to schedule of expenditures of federal awards.

Approved Awards Amount	Expenditures (Memo Only) Prior Year(s)	Accrued (Unearned) Revenue at July 1, 2022	Federal Funds / Payments In-Kind Received	Expenditures Year Ended June 30, 2023	Accrued (Unearned) Revenue at June 30, 2023
$ 353,988	$ 327,064	$ (19,573)	$ (19,394)	$ 179	$ -
380,519	-	-	270,615	379,336	108,721
		(19,573)	251,221	379,515	108,721
2,709	1,021	38	1,688	1,688	38
108,157	91,830	82,407	87,568	5,161	-
64,489	-	-	49,467	54,631	5,164
		82,407	137,035	59,792	5,164
39,106	23,202	5,983	5,983	-	-
39,927	-	-	34,543	34,543	-
		5,983	40,526	34,543	-
1,036,770	452,032	-	584,738	584,738	-
19,800	-	-	19,800	19,800	-
39,050	-	-	-	33,951	33,951
41,876	-	-	32,445	41,876	9,431
2,330,095	421,582	329,238	1,590,431	1,567,990	306,797
12,573	-	-	-	5,548	5,548
		329,238	2,227,414	2,253,903	355,727
		398,093	2,657,884	2,729,441	469,650
3,748	-	-	3,748	3,748	-
		$ 453,621	$ 3,341,840	$ 3,381,613	$ 493,394

concluded.

EAST JACKSON COMMUNITY SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

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

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

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

Notes to Schedule of Expenditures of Federal Awards

3. PASS-THROUGH AGENCIES

The District receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
JCISD	Jackson County Intermediate School District
MDE	Michigan Department of Education
USAC	Universal Service Administrative Company

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

October 25, 2023

Board of Education
East Jackson Community Schools
Jackson, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***East Jackson Community Schools*** (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

East Jackson Community Schools' Response to Finding

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

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 District'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.

Rehmann Robson LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 25, 2023

Board of Education
East Jackson Community Schools
Jackson, Michigan

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

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

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

Basis for Opinion on the Major Federal Program

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

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

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Responsibilities of Management for Compliance

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

Independent Auditors' Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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.

Rehmann Robson LLC

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EAST JACKSON COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	X yes	____ none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	X no

Identification of major programs and type of auditors' report issued on compliance for each major program:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
84.425	Education Stabilization Fund	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	____ yes	X no

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 - Review and Approval of Year-end Schedules (Repeat)

Finding Type. Significant deficiency in internal controls over financial reporting.

Criteria. The timely preparation and issuance of financial statements in accordance with generally accepted accounting principles requires a coordinated effort between management and the external auditors, and places the burden on the auditee to properly prepare for the audit, including timely closing of the accounting records, preparation of workpapers to support the significant account balances and obtaining the necessary documents needed by the auditors to perform their work.

Condition. The District has certain balance sheet accounts that are adjusted and balanced only at year-end for external reporting purposes. Some of these balances are long-term in nature and not reported in the District's fund financial statements. Even though these amounts are not recorded in the general ledger, the information necessary for properly reporting these items must be provided by management for inclusion in the audited financial statements. These schedules include calculations and estimate assumptions for capital assets and inventory.

Cause. This condition was caused by a lack of management oversight.

Effect. As a result of this condition, the District was unable to provide clear reconciliations on some balances.

Recommendation. We recommend that the District subject all year-end schedules that are used in financial reporting to an independent review and approval process by an individual with a high level of understanding regarding financial reporting requirements. This review should be documented and retained as evidence of the control.

View of Responsible Official. The capital asset listing will be updated and reviewed on a quarterly basis and signed off by the Superintendent or Director of Business Services. A physical inventory will be performed prior to year end and the Business Manager will oversee the physical count and book adjustments accordingly.

Responsible Official. LEA Business Manager

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

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Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

Finding 2022-001 - Material Audit Adjustments (Repeat)

During the June 30, 2022 audit, the trial balance provided was not reasonably adjusted. Subsequent to fieldwork, numerous journal entries were provided to adjust the District's general ledger to the appropriate balances, some of which were identified and proposed by us (and were approved and posted by management). As a result of this condition, the District's accounting records were initially misstated by material amounts. This finding has been resolved in the current year.

2022-002 - Review and Approval of Year-end Schedules (Repeat)

The District has certain balance sheet accounts that are adjusted and balanced only at year-end for external reporting purposes. Some of these balances are long-term in nature and not reported in the District's fund financial statements. Even though these amounts are not recorded in the general ledger, the information necessary for properly reporting these items must be provided by management for inclusion in the audited financial statements. These schedules include calculations and estimate assumptions for capital assets, debt, compensated absences and retirement payouts, accrued payroll, inventory, receivables, unearned revenues, the schedule of expenditures of federal awards, and the trial balance as a whole. As a result of this condition, the District was unable to provide clear reconciliations on many balances, and adjustments, which were approved and posted by management, were required to properly state the balances. This finding has been repeated in the current year as 2023-001.

2022-003 - Allowable Costs/Cost Principles – Disbursements

Uniform Guidance §200.403 Factors Affecting Allowability of Costs section (f)(1) requires that costs charged to federal programs not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period. This principle assumes that costs also may not be charged more than once to a federal program (double counted) in order to be allowable. Additionally, Uniform Guidance §200.400 Subpart E – Cost Principles requires that costs charged to federal programs be consistent with the accounting policies and practices of the entity and provide for adequate documentation to support costs charged to the federal award. Costs charged twice to the same program cannot foundationally meet that standard of documentation. Of the 25 disbursement selections tested, the same invoice, in the amount of $1,944, was recorded twice. As a result of this condition, the District applied Child Nutrition Cluster funding to expenses that are unallowable under program guidelines. This finding has been resolved in the current year.

2022-004 - Allowable Costs/Cost Principles – Pay Rates

The Uniform Guidance requires the District to support payroll charged to federal cost objectives with adequate documentation in accordance with the District's payroll policies. Of the 28 payroll disbursement selections tested, one employee was paid the incorrect payrate. As a result of this condition, an employee was underpaid for their services performed. This finding has been resolved in the current year.

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