HONEY CREEK COMMUNITY SCHOOL

Year Ended
June 30, 2023

Financial Statements

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HONEY CREEK COMMUNITY SCHOOL

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Independent Auditors' Report

Management and the Board of Trustees
Honey Creek Community School

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Honey Creek Community School, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Honey Creek Community School's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Honey Creek Community School, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Honey Creek Community School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Honey Creek Community School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023 on our consideration of Honey Creek Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Honey Creek Community School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Honey Creek Community School's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

YEO & YEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Honey Creek Community School, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2023.

Financial Highlights

· Total net position	$ (4,410,862)
· Change in total net position	455,407
· Total fund balance, general fund	774,627
· Unassigned fund balance, general fund	700,526
· Change in fund balance, general fund	(54,563)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The g*overnment-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Schools' assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them 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 School is improving or deteriorating.

The statement of activities presents information showing how the government'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 School 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 School include instruction, support services, and community services. The School has no business-type activities as of and for the year ending June 30, 2023.

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. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Management's Discussion and Analysis

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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the *governmental fund* and *governmental activities.*

The School maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund.

The School adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund herein to demonstrate compliance with that 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.

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, the budgetary comparison schedule for the general fund, and the schedules for the Michigan Public School Employees Retirement System (MPSERS) pension and other postemployment benefit plans immediately following the notes to the financial statements.

Management's Discussion and Analysis

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 School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $4,410,862 at the close of the most recent fiscal year.

	Net Position	
	Governmental Activities	
	2023	2022
Current assets	$ 1,457,236	$ 1,211,770
Deferred outflows of resources	2,196,528	1,137,057
Current liabilities	682,609	382,580
Noncurrent liabilities	5,896,055	4,007,215
Total liabilities	6,578,664	4,389,795
Deferred inflows of resources	1,485,962	2,825,301
Net position:		
Restricted	36,937	36,937
Unrestricted (deficit)	(4,447,799)	(4,903,206)
Total net position	$ (4,410,862)	$ (4,866,269)

Restricted net position represents amounts subject to external restrictions such as donations specifically for use by staff and students for class trips. The remaining balance is unrestricted net position, which has a negative balance due to the recording of the School's portion of the MPSERS net pension and other postemployment benefits liabilities in accordance with GASB 68 and 75. Additional information regarding the School's net pension liability, and net other postemployment benefits liability can be found in the notes to the financial statements.

The School's net position increased by $455,407 during the current fiscal year. The School's increase in net position was primarily driven by the change in the liabilities reported to MPSERS and a combination of an increase in state and federal grants funding. In addition, charges for services increased significantly due to the after school program starting back up, which also led to an increase in related expenditures.

	Changes in Net Position	
	Governmental Activities	
	2023	2022
Program revenues:		
Charges for services	$ 134,315	$ 75,670
Operating grants	1,170,047	940,136
General revenues:		
State school aid	2,288,474	2,166,118
Interest revenue	6,955	319
Other	66,888	103,310
Total revenues	3,666,679	3,285,553
Expenses:		
Instruction	1,842,961	1,597,203
Support services	1,118,576	1,001,911
Community services	249,735	97,313
Total expenses	3,211,272	2,696,427
Change in net position	455,407	589,126
Net position, beginning of year	(4,866,269)	(5,455,395)
Net position, end of year	$ (4,410,862)	$ (4,866,269)

Financial Analysis of the Government's Fund

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

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

As of the end of the current fiscal year, the School's governmental fund reported an ending fund of $774,627, a decrease of $54,563, in comparison with the prior year. The School had unassigned fund balance of $700,526. A portion of the fund balance is restricted or assigned to indicate that it is not available for new spending because the underlying assets are restricted for externally imposed constraints, or assigned by the Superintendent, and are not available for current expenditure.

School revenues increased by $381,126. This is mainly due to the increase in foundation allowance, additional state grants and federal grants, and summer programming. School expenditures increased by $514,845. The district filled vacant positions and also increased the summer programming available to residents

General Fund Budgetary Highlights

Differences between the original and final amended budgets were due to the expected changes in revenues and expenses. Actual revenues came in lower than expected because local revenue received during the year was actually related to the subsequent fiscal year and interdistrict revenue received from the Washtenaw County Intermediate School District came in lower than expected. Actual expenditures came in higher than expected as additional payouts and summer school costs were more than budgeted. These changes in revenues and expenditures led to a decrease in fund balance.

Capital Assets

The School has capital assets, net of accumulated depreciation, of zero. Additional information on the School's capital assets can be found in the notes to the financial statements section of this report.

Factors Bearing on the School's Future

The following factors were also considered in preparing the School's budget for the 2023-24 fiscal year:

- Most of the School's revenue is derived from the per pupil foundation allowance, so student enrollment is one of the key factors in forecasting revenue. Once the final student count is known in October, State law requires the School to amend the budget if actual revenues will vary significantly from those originally appropriated. For the 23/24 year, the School budgeted an increase in foundation of $460, taking the foundation allowance per student from $9,150 to $9,610.

- The School had an increase of student FTE of 4 during the 22/23 fiscal year, bringing this count up to 249. For the 23/24 school year, the School budgeted for no change in enrollment.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, 1735 S. Wagner Road, Ann Arbor, Michigan 48103.

BASIC FINANCIAL STATEMENTS

HONEY CREEK COMMUNITY SCHOOL

Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	$ 807,405
Due from other governments	630,059
Prepaid items	19,772
Total assets	1,457,236
Deferred outflows of resources	
Deferred pension amounts	1,716,953
Deferred other postemployment benefit amounts	479,575
Total deferred outflows of resources	2,196,528
Liabilities	
Accounts payable and accrued liabilities	509,765
Unearned revenue	172,844
Net pension liability (due in more than one year)	5,553,446
Net other postemployment benefit liability (due in more than one year)	342,609
Total liabilities	6,578,664
Deferred inflows of resources	
Deferred pension amounts	626,300
Deferred other postemployment benefit amounts	859,662
Total deferred inflows of resources	1,485,962
Net position	
Restricted for:	
Phoenix rising projects	18,275
School age savings	15,745
Equity funds	2,917
Unrestricted (deficit)	(4,447,799)
Total net position	$ (4,410,862)

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

HONEY CREEK COMMUNITY SCHOOL

Statement of Activities
For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue
Governmental activities				
Instruction	$ 1,842,961	$ -	$ 953,961	$ (889,000)
Support services	1,118,576	-	216,086	(902,490)
Community services	249,735	134,315	-	(115,420)
Total governmental activities	$ 3,211,272	$ 134,315	$ 1,170,047	(1,906,910)

General revenues	
Unrestricted state school aid restricted to specific programs	2,288,474
Interest revenue	6,955
Other local revenue	66,888
Total general revenues	2,362,317
Change in net position	455,407
Net position, beginning of year	(4,866,269)
Net position, end of year	$ (4,410,862)

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

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FUND FINANCIAL STATEMENTS

HONEY CREEK COMMUNITY SCHOOL

Balance Sheet

Governmental Fund
June 30, 2023

	General Fund
Assets	
Cash and cash equivalents	$ 807,405
Due from other governments	630,059
Prepaid items	19,772
Total assets	$ 1,457,236
Liabilities	
Accounts payable	$ 58,156
Due to other governments	136,948
Accrued payroll	170,648
Accrued liabilities	144,013
Unearned revenue	172,844
Total liabilities	682,609
Fund balance	
Nonspendable for prepaid items	19,772
Restricted for:	
Phoenix rising projects	18,275
School age savings	15,745
Equity funds	2,917
Assigned for Sheibar Foundation special projects	17,392
Unassigned	700,526
Total fund balance	774,627
Total liabilities and fund balance	$ 1,457,236

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

Reconciliation

Fund Balance of the Governmental Fund
to Net Position of Governmental Activities
June 30, 2023

Fund balance - governmental fund	$	774,627
Amounts reported for *governmental activities* in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.		
Capital assets		47,120
Accumulated depreciation on capital assets		(47,120)
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 fund.		
Net pension liability		(5,553,446)
Deferred outflows related to the net pension liability		1,716,953
Deferred inflows related to the net pension liability		(626,300)
Net other postemployment benefit liability		(342,609)
Deferred outflows related to the net other postemployment benefit liability		479,575
Deferred inflows related to the net other postemployment benefit liability		(859,662)
Net position of governmental activities	$	(4,410,862)

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

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund
For the Year Ended June 30, 2023

	General Fund
Revenues	
Local revenue	$ 201,203
State sources	2,953,132
Federal sources	289,303
Interdistrict sources	216,086
Other sources	6,955
Total revenues	3,666,679
Expenditures	
Instruction:	
Basic programs	1,810,409
Added needs	377,801
Total instruction	2,188,210
Support services:	
Pupil	68,636
Instructional	143,059
General administration	357,068
School administration	297,779
Business	112,753
Operation and maintenance	204,710
Central	26,453
Total support services	1,210,458
Community service	322,574
Total expenditures	3,721,242
Net change in fund balance	(54,563)
Fund balance, beginning of year	829,190
Fund balance, end of year	$ 774,627

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

Reconciliation

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

Net change in fund balances - governmental fund	$	(54,563)
Amounts reported for *governmental activities* in the statement of activities are different because:		
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 fund.		
Change in net pension liability and related deferred amounts		237,212
Change in net other postemployment benefit liability and related deferred amounts		272,758
Change in net position of governmental activities	$	455,407

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

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NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Honey Creek Community School (the “School”) 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 School.

The School is a public school as part of the Michigan public school system under Public Act N. 362 of 1993. Washtenaw County Intermediate School District is the authorizing body for the School and has contracted with the School to charter the public school through June 2024. Board members are voted in by the community and are approved by the authorizing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The School receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities.

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 School had no business-type activities during the current fiscal 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 as general revenues.

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 or within one year for expenditure based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The School reports the following major governmental fund:

The *general fund* is the government’s primary operating fund. It accounts for all financial resources of the general government.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

Deposits and Investments

The School’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.

Capital Assets

Capital assets, which consists of software, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. 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.

Deferred Outflows of Resources

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

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 School reports deferred inflows of resources related 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 required 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 is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of 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. As applicable, the School reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The board has given the ability to assign fund balance to the Superintendent. Unassigned fund balance is the residual classification for the general fund, as well as for any deficits reported in other governmental funds.

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

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability and net other postemployment benefits 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.

Notes to Financial Statements

2. BUDGETARY INFORMATION

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

The general fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and 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 or as amended by the Board of Education. All budgets are adopted on a functional basis.

3. EXCESS OF EXPENDITURES OVER BUDGET

Expenditures in excess of budgeted amounts at the legal level of control for the general fund were as follows.

	Final Budget	Actual Expenditures	Over Budget
Instruction:			
Basic programs	$ 1,791,518	$ 1,810,409	$ 18,891
Added needs	336,200	377,801	41,601
Supporting services:			
General administration	356,585	357,068	483
Business	111,810	112,753	943
Community services	311,087	322,574	11,487

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	$ 807,405
Deposits and Investments-	
Bank deposits (checking accounts and savings accounts)	$ 807,405

Statutory Authority

State statutes authorize the School to invest in:

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, 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.

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.

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

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.

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

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

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

Deposit and Investment Risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. State law does not require and the School does not have a policy for deposit custodial credit risk. As of year end, $567,372 of the School's bank balance of $817,372 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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 School's investment policy does not have specific limits in excess of state law on investment credit 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 School's investment policy does not have specific limits in excess of state law on concentration of credit risk.

Notes to Financial Statements

5. ENDOWMENTS

There are two endowments that were established for the School which are held by the Honey Creek Community School Endowment Fund and the Ann Arbor Area Community Foundation. Each of these Organizations is a separate entity with a governing board. The School does not have control over the assets and therefore are not reported in the accompanying financial statements. The value of these assets at June 30, 2023 is as follows:

	Honey Creek Community School Endowment	Ann Arbor Community Foundation
Beginning balance	$ 7,164	$ 71,161
Grants and administrative fees	(353)	(3,513)
Interest income	61	604
Net realized and unrealized gain	614	6,099
Ending balance	$ 7,486	$ 74,351

6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets being depreciated -				
Software	$ 47,120	$ -	$ -	$ 47,120
Less accumulated depreciation for -				
Software	47,120	-	-	47,120
Governmental activities capital assets, net	$ -	$ -	$ -	$ -

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year are as follows:

Accounts payable	$	58,156
Due to other governments		136,948
Accrued payroll		170,648
Accrued liabilities		144,013
	$	509,765

8. RELATED PARTY TRANSACTIONS

The School leases their premises from Washtenaw County Intermediate School District (WISD). The agreement ended on August 31, 2021 and is continuing on a month-to-month basis at a monthly rate of $25,548 over 8 months. Total cost for this lease during the year was $204,382.

The School currently pays the WISD 3% of its state aid as an administration fee. The amount paid during the 2023 year was $71,188, of which $13,066 was outstanding and included in accounts payable at year end.

9. RISK MANAGEMENT

The School 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 School 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 School participates operates as a common risk-sharing management program for schools in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

10. 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 School to the pension plan were $560,954, which included $270,097, 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 School had additional contributions of $157,301, 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 School to the OPEB plan were $121,612.

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 School for those members with a defined contribution benefit were $48,729.

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

At June 30, 2023, the School reported a liability of $5,553,446 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The School’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the School’s proportion was 0.01477%, which was a decrease of 0.00114% from its proportion measured as of September 30, 2021.

Notes to Financial Statements

For the year ended June 30, 2023, the School recognized pension expense of $445,033. At June 30, 2023, the School 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	$ 55,554	$ 12,417	$ 43,137
Changes in assumptions	954,281	-	954,281
Net difference between projected and actual earnings on pension plan investments	13,023	-	13,023
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,096	613,883	(611,787)
	1,024,954	626,300	398,654
School contributions subsequent to the measurement date	691,999	-	691,999
Total	$ 1,716,953	$ 626,300	$ 1,090,653

The amount reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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	$ 43,915
2025	7,710
2026	61,677
2027	285,352
Total	$ 398,654

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

At June 30, 2023, the School reported a liability of $342,609 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School's proportion was 0.01618% which was an increase of 0.00048% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School recognized OPEB expense of $(164,766). At June 30, 2023, the School 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	$ -	$ 671,040	$ (671,040)
Changes in assumptions	305,378	24,866	280,512
Net difference between projected and actual earnings on OPEB plan investments	26,778	-	26,778
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,448	163,756	(128,308)
	367,604	859,662	(492,058)
School contributions subsequent to the measurement date	111,971	-	111,971
Total	$ 479,575	$ 859,662	$ (380,087)

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

Year Ended June 30,	Amount
2024	$ (167,683)
2025	(160,488)
2026	(139,950)
2027	(18,522)
2028	(5,914)
Thereafter	499
Total	$ (492,058)

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,

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 School'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%)
School's proportionate share of the net pension liability	$ 7,328,486	$ 5,553,446	$ 4,090,734

Sensitivity of the School'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%)
School's proportionate share of the net OPEB liability	$ 574,694	$ 342,609	$ 147,165

Sensitivity of the School'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
School's proportionate share of the net OPEB liability	$ 143,468	$ 342,609	$ 566,148

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 School reported a payable of $162,003 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 School reported a payable of $26,517 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2023.

11. 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 School 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 three years, the School has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, $276,413 was expended and recognized as revenue during the current fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION

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HONEY CREEK COMMUNITY SCHOOL

Schedule 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 revenue	$ 201,000	$ 276,393	$ 201,203	$ (75,190)
State sources	2,744,043	2,925,666	2,953,132	27,466
Federal sources	200,179	297,624	289,303	(8,321)
Interdistrict sources	219,000	244,766	216,086	(28,680)
Other sources	700	5,500	6,955	1,455
Total revenues	3,364,922	3,749,949	3,666,679	(83,270)
Expenditures				
Instruction:				
Basic programs	1,648,605	1,791,518	1,810,409	18,891
Added needs	291,858	336,200	377,801	41,601
Total instruction	1,940,463	2,127,718	2,188,210	60,492
Support services:				
Pupil	279,259	71,181	68,636	(2,545)
Instructional	121,113	153,876	143,059	(10,817)
General administration	371,039	356,585	357,068	483
School administration	232,079	306,354	297,779	(8,575)
Business	97,798	111,810	112,753	943
Operation and maintenance	210,282	204,882	204,710	(172)
Central	37,000	53,664	26,453	(27,211)
Total support services	1,348,570	1,258,352	1,210,458	(47,894)
Community services	123,236	311,087	322,574	11,487
Total expenditures	3,412,269	3,697,157	3,721,242	24,085
Net change in fund balance	(47,347)	52,792	(54,563)	(107,355)
Fund balance, beginning of year	829,190	829,190	829,190	-
Fund balance, end of year	$ 781,843	$ 881,982	$ 774,627	$ (107,355)

HONEY CREEK COMMUNITY SCHOOL

Required Supplementary Information
MPSERS Cost-Sharing Multiple Employer Plan
Schedule of the School's Proportionate Share of the Net Pension Liability

	Year Ended June 30,		
	2023	2022	2021
District's proportionate share of the net pension liability	$ 5,553,446	$ 3,767,547	$ 5,847,064
District's proportion of the net pension liability	0.01477%	0.01591%	0.01702%
District's covered payroll	$ 1,613,624	$ 1,457,434	$ 1,483,061
District's proportionate share of the net pension liability as a percentage of its covered payroll	344.16%	258.51%	394.26%
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**
$ 6,022,340	$ 5,444,229	$ 4,537,015	$ 4,184,237	$ 3,750,553	$ 3,406,762
0.01810%	0.01810%	0.01750%	0.01680%	0.01540%	0.15500%
$ 1,617,675	$ 1,630,844	$ 1,470,575	$ 1,391,093	$ 1,401,178	$ 1,354,781
372.28%	333.83%	308.52%	300.79%	267.67%	251.46%
60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the School's Pension Contributions

	Year Ended June 30,		
	2023	2022	2021
Statutorily required contributions	$ 560,954	$ 502,764	$ 481,543
Contributions in relation to the statutorily required contributions	(560,954)	(502,764)	(481,543)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 1,746,086	$ 1,495,533	$ 1,478,662
Contributions as a percentage of covered payroll	41.14%	33.62%	32.57%

See notes to required supplementary information.

Year Ended June 30,					
2020	2019	2018	2017	2016	2015
$ 477,669	$ 486,118	$ 514,843	$ 348,516	$ 262,349	$ 281,637
(477,669)	(486,118)	(514,843)	(348,516)	(262,349)	(281,637)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,551,579	$ 1,609,802	$ 1,619,431	$ 1,446,425	$ 1,374,129	$ 1,403,224
30.79%	30.20%	31.79%	24.09%	19.09%	20.07%

HONEY CREEK COMMUNITY SCHOOL

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the School'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	$ 342,609	$ 239,668	$ 878,762
District's proportion of the net OPEB liability	0.01618%	0.01570%	0.01640%
District's covered payroll	$ 1,613,624	$ 1,457,434	$ 1,483,061
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.23%	16.44%	59.25%
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	
$	1,307,246	$	1,505,606	$	1,571,180
	0.01820%		0.01890%		0.01770%
$	1,617,675	$	1,630,844	$	1,470,575
	80.81%		92.32%		106.84%
	48.46%		42.95%		36.39%

HONEY CREEK COMMUNITY SCHOOL

Required Supplementary Information
MPSERS Cost-Sharing Multiple Employer Plan
Schedule of the School's Other Postemployment Benefit (OPEB) Contributions

	Year Ended June 30,		
	2023	2022	2021
Statutorily required contributions	$ 121,612	$ 123,343	$ 116,248
Contributions in relation to the statutorily required contributions	(121,612)	(123,343)	(116,248)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 1,746,086	$ 1,495,533	$ 1,478,662
Contributions as a percentage of covered payroll	6.96%	8.25%	7.86%

See notes to required supplementary information.

Year Ended June 30,		
2020	2019	2018
$ 122,398	$ 118,911	$ 132,170
(122,398)	(118,911)	(132,170)
$ -	$ -	$ -
$ 1,551,579	$ 1,609,802	$ 1,619,431
7.89%	7.39%	8.16%

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%.

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

Independent Auditors' Report

Management and the Board of Trustees
Honey Creek Community School

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 and the major fund of Honey Creek Community School, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Honey Creek Community School's basic financial statements, and have issued our report thereon dated October 24, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Ann Arbor, MI
October 24, 2023

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2023.

Prior Audit Findings

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