

ALANSON PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2022



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

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ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor’s Report	i-iii
Management’s Discussion and Analysis	iv-xi
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1-2
Statement of Activities	3
Fund Financial Statements	
Balance Sheet - Governmental Funds	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Notes to Financial Statements	8-35
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	36
Schedule of Proportionate Share of the Net Pension Liability – Michigan Public School Employees’ Retirement System	37
Schedule of Pension Contributions – Michigan Public School Employees’ Retirement System	38
Schedule of Proportionate Share of the Net Other Postemployment Benefit Liability – Michigan Public School Employees’ Retirement System	39
Schedule of Other Postemployment Benefit Contributions – Michigan Public School Employees’ Retirement System	40
Notes to Required Supplementary Information	41
Supplementary Information	
Combining Nonmajor Fund Financial Statements	42
Combining Balance Sheet	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	43



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August 19, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Alanson Schools
Alanson, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alanson Schools, Alanson, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv-xi and 36-41 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 Alanson Schools basic financial statements. The accompanying combining nonmajor fund financial statements is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements of combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2022, on our consideration of Alanson Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alanson Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alanson Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

This section of Alanson Public Schools’ (“the District”) annual report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2022. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

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

A. 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 a private-sector business.

The *Statement of Net Position* presents information on all of the District’s assets, deferred inflows and outflows of resources and liabilities, with the difference 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 the 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 for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, community services, food service activities, facilities acquisition, construction, and improvements, interest on long-term debt, and unallocated depreciation.

B. 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. Alanson Public Schools, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions 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 assessing a government’s near-term financing requirements.

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

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 governmental funds and governmental activities.

C. Notes to Financial Statements

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

D. Other Information

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

E. Summary of Net Position

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

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets	\$ 1,782,821	\$ 2,098,263
Non Current Assets		
Capital Assets	9,567,920	8,823,951
Less Accumulated Depreciation	<u>(5,039,682)</u>	<u>(4,948,670)</u>
Total Non Current Assets	<u>4,528,238</u>	<u>3,875,281</u>
Total Assets	<u>6,311,059</u>	<u>5,973,544</u>
Deferred Outflows of Resources	<u>1,068,510</u>	<u>1,175,167</u>
Liabilities		
Current Liabilities	806,010	640,401
Non Current Liabilities	<u>4,509,525</u>	<u>6,229,454</u>
Total Liabilities	<u>5,315,535</u>	<u>6,869,855</u>

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>
Deferred Inflows of Resources	<u>1,980,476</u>	<u>887,700</u>
Net Position		
Net Investment in Capital Assets	3,173,836	3,108,926
Restricted for Specific Purposes	280,506	141,207
Unrestricted (Deficit)	<u>(3,370,784)</u>	<u>(3,858,977)</u>
Total Net Position (Deficit)	<u>\$ 83,558</u>	<u>\$ (608,844)</u>

F. Analysis of Financial Position

During the fiscal year ended June 30, 2022, the District's net position increased by \$692,402. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense and Capital Outlay

Districts are required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2022, \$155,666, was recorded for depreciation expense.

The District reported \$808,263 in capital outlay for the fiscal year ended June 30, 2022. The amount reported for capital outlay is an increase of net position.

2. Pension and Other Postemployment Benefits Expense

GASB 68 and GASB 75 require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension and other postemployment benefits liabilities increase or decrease in any given year. For the year ended June 30, 2022, the District reported an increase in net position of \$314,566 related to GASB 68 and GASB 75.

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

G. Results of Operations

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

	<u>2022</u>	<u>2021</u>
General Revenues		
Property Taxes	\$ 1,726,508	\$ 1,685,807
Regional Enhancement Millage	183,792	155,118
Investment Earnings	1,753	1,836
State Sources	588,994	377,205
Other	8,076	11,759
	<hr/>	<hr/>
Total General Revenues	2,509,123	2,231,725
	<hr/>	<hr/>
Program Revenues		
Charges for Services	112,419	93,330
Operating Grants and Contributions	1,241,709	1,204,618
Capital Grants and Contributions	9,402	0
	<hr/>	<hr/>
Total Program Revenues	1,363,530	1,297,948
	<hr/>	<hr/>
Total Revenues	3,872,653	3,529,673
	<hr/>	<hr/>
Expenses		
Instruction	1,826,916	1,799,012
Supporting Services	1,039,930	1,095,192
Community Services	97,761	87,974
Facilities Acquisition, Construction, and Improvements	20,916	35,253
Interest on Long-Term Debt	39,062	44,172
Unallocated Depreciation	155,666	148,728
	<hr/>	<hr/>
Total Expenses	3,180,251	3,210,331
	<hr/>	<hr/>
Change in Net Position	\$ 692,402	\$ 319,342
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ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

H. Financial Analysis of the District’s Funds

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

	2022	2021	Increase (Decrease)
Major Funds			
General Fund	\$ 562,943	\$ 396,518	\$ 166,425
2020 Capital Projects Fund	295,598	1,063,645	(768,047)
2014 Debt Service Fund	39,638	23,145	16,493
2020 Debt Service Fund	13,812	1,504	12,308
Sinking Fund	232,718	123,029	109,689
Nonmajor Funds			
Food Service Fund	122	125	(3)
Student Activities Fund	27,764	36,492	(8,728)
Total Governmental Funds	<u>\$ 1,172,595</u>	<u>\$ 1,644,458</u>	<u>\$ (471,863)</u>

General Fund – In 2021-2022, the General Fund’s fund balance increased by \$166,425. The increase was the result of increased federal funding because of the pandemic as well as an increase in state aid due increases to student count. Some of the additional federal funding is directly tied to an increase in expenditures in response to the pandemic but portions of the federal funds were allowed to supplant conventional expenditures of the District.

2020 Capital Projects Fund – The 2020 Capital Projects Fund’s fund balance decreased which was caused by the spending of bond proceeds on various projects.

2014 Debt Service Fund –The 2014 Debt Service Fund’s fund balance increased because the amount of revenue generated by the tax levy was greater than the debt obligations.

2020 Debt Service Fund –The 2020 Debt Service Fund’s fund balance increased because the amount of revenue generated by the tax levy was greater than the debt obligations.

Sinking Fund – The Sinking Fund’s fund balance increased by a \$109,689. Expenditures amounted to \$15,513, while the revenues generated by a tax levy amounted to \$125,202. The sinking fund millage was renewed in May 2020 for an additional five years.

I. General Fund Budgetary Highlights

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

For the 2021-2022 fiscal year, the District amended the General Fund at various time throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>	\$ 3,562,066	\$ 3,515,110	\$ 3,519,503
<u>EXPENDITURES</u>			
Instruction	\$ 2,280,081	\$ 2,111,994	\$ 2,104,435
Supporting Services	1,226,540	1,169,185	1,139,428
Community Services	88,225	107,947	107,163
Total Expenditures	<u>\$ 3,594,846</u>	<u>\$ 3,389,126</u>	<u>\$ 3,351,026</u>

The changes from original budget and final budget resulted from funding amounts for various programs and associated expenditures becoming clearer throughout the year. Variances between final budgeted revenues and actual revenues was minimal. Variances between final budgeted expenditures and actual expenditures were also minimal due to amounts budgeted for all activities being close to the actual amounts but not exceeding.

J. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2021-2022 fiscal year, the District had invested \$4,528,238 net of depreciation, in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$652,957 from the prior fiscal year. Depreciation expense for the year amounted to \$155,666 bringing the accumulation to \$5,039,682 as of June 30, 2022.

The significant additions and deletions to capital assets included:

- Elementary reroofing and other site improvements related to the 2020 bond proceeds in the amount of \$763,281.
- Vape sensors in the amount of \$20,940.
- Air conditioning unit in the amount of \$9,402.
- Electronic sign in the amount of \$15,000.
- Disposal of computers and other electronic equipment totaling \$64,654.

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

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

In addition to purchasing the above assets, the School has committed to spend roughly \$130,000 for building and site improvement contracts related to the 2020 bond issuance and \$13,000 for a mower.

2. *Long-Term Obligations*

At June 30, 2022, the District had \$1,650,000 in bonded debt outstanding. This represents a decrease of \$180,000 from the amount outstanding at the close of the prior fiscal year. Additionally, at June 30, 2022, the District reported its net share of the pension liability of \$2,838,526, its share of the other postemployment benefits liability of \$193,284, and compensated absences in the amount of \$17,715.

K. Factors Bearing on the District's Future

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

- On March 10, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. The District closed on-site instruction operations on March 23, 2020 when the State of Michigan instituted a Stay Home Stay Safe Order and did not reopen on-site instruction for the 2019-2020 school year, and intermittent remote schooling through the 2020-2021 and 2021-2022 as cases were too high to keep students and/or staff safely in the building.
- The District believes it understands the risk associated with COVID-19. The District is in the process of implementing risk mitigation tactics as to the risk of the impact of COVID-19 related to the District's operations within and outside of the District.
- The District will utilize available COVID-19 supplemental funds to help offset costs incurred at the District for learning and keeping student safe, healthy and supported during this period.
- As student count is the driving force behind the District's revenue streams, the District continues to be concerned with enrollment, as any loss in students will have a direct impact on the District's revenue. In July 2022, the legislators passed the school aid budget for the 2022-2023 school year, with an increase of per pupil foundation allowance to \$9,150 from \$8,700 in 2021-2022.
- Continued Reginal Enhancement Millage Funds will be used to provide PK-12 physical education, teacher classroom supplies, after-school clubs, and support for the preschool stretch program. These funds have allowed for the board to approve the extras to enhance student learning experiences.
- The District will be finalizing building and site projects funded from the 2020 Bond passed by voters to support improving the district buildings.

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

L. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Superintendent, Alanson Public Schools, 7400 North Street, Alanson, MI 49706.

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ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 920,334
Restricted Cash	305,604
Investments	301,166
Due from Other Governmental Units	253,406
Prepaid Expenses	2,311

Total Current Assets 1,782,821

NON CURRENT ASSETS

Capital Assets	9,567,920
Less Accumulated Depreciation	<u>(5,039,682)</u>

Total Non Current Assets 4,528,238

TOTAL ASSETS 6,311,059

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources Related to Pensions	759,746
Deferred Outflows of Resources Related to Other Postemployment Benefits	<u>308,764</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 1,068,510

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	6,683
Due to Other Governments	77,982
Salaries and Benefits Payable	273,228
Accrued Interest Payable	5,784
Unearned Revenue	252,333
Current Portion of Non Current Liabilities	<u>190,000</u>

Total Current Liabilities 806,010

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

NON CURRENT LIABILITIES

Bonds Payable	1,650,000
Compensated Absences	17,715
Net Pension Liability	2,838,526
Net Other Postemployment Benefits Liability	193,284
Less Current Portion of Non Current Liabilities	<u>(190,000)</u>

Total Non Current Liabilities	<u>4,509,525</u>
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TOTAL LIABILITIES	<u>5,315,535</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions	1,215,614
Deferred Inflows of Resources Related to Other Postemployment Benefits	<u>764,862</u>

TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,980,476</u>
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NET POSITION

Net Investment in Capital Assets	3,173,836
Restricted for Debt Service	47,666
Restricted for Food Service	122
Restricted for Capital Projects	232,718
Unrestricted (Deficit)	<u>(3,370,784)</u>

TOTAL NET POSITION	<u>\$ 83,558</u>
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The notes to the financial statements are an integral part of this statement.

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 1,826,916	\$ 0	\$ 945,633	\$ 0	\$ (881,283)
Supporting Services	1,039,930	50,874	215,984	0	(773,072)
Community Services	97,761	61,545	80,092	9,402	53,278
Facilities Acquisition, Construction, and Improvements	20,916	0	0	0	(20,916)
Interest on Long-Term Debt	39,062	0	0	0	(39,062)
Unallocated Depreciation	155,666	0	0	0	(155,666)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,180,251	\$ 112,419	\$ 1,241,709	\$ 9,402	(1,816,721)
<u>GENERAL REVENUES</u>					
Property Taxes - General Purposes					1,352,890
Property Taxes - Debt Service					248,511
Property Taxes - Sinking Fund					125,107
Regional Enhancement Millage					183,792
Investment Earnings					1,753
State Sources					588,994
Other					8,076
Total General Revenues					2,509,123
Change in Net Position					692,402
<u>NET POSITION</u> - Beginning of Year - (Deficit)					(608,844)
<u>NET POSITION</u> - End of Year					\$ 83,558

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2022

	GENERAL FUND	2020 CAPITAL PROJECTS FUND	2014 DEBT SERVICE FUND	2020 DEBT SERVICE FUND	SINKING FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>							
Cash and Cash Equivalents	\$ 600,154	\$ 0	\$ 39,613	\$ 13,792	\$ 227,293	\$ 39,482	\$ 920,334
Restricted Cash	0	305,604	0	0	0	0	305,604
Investments	301,166	0	0	0	0	0	301,166
Due from Other Governmental Units	253,213	0	0	0	0	193	253,406
Due from Other Funds	15,323	0	25	20	5,425	0	20,793
Prepaid Expenditures	2,311	0	0	0	0	0	2,311
TOTAL ASSETS	\$ 1,172,167	\$ 305,604	\$ 39,638	\$ 13,812	\$ 232,718	\$ 39,675	\$ 1,803,614
<u>LIABILITIES AND FUND BALANCES</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 5,613	\$ 1,070	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,683
Due to Other Governments	77,982	0	0	0	0	0	77,982
Salaries and Benefits Payable	273,228	0	0	0	0	0	273,228
Unearned Revenue	252,333	0	0	0	0	0	252,333
Due to Other Funds	68	8,936	0	0	0	11,789	20,793
Total Liabilities	609,224	10,006	0	0	0	11,789	631,019
<u>FUND BALANCES</u>							
Nonspendable, Prepaid Expenditures	2,311	0	0	0	0	0	2,311
Restricted for Debt Service	0	0	39,638	13,812	0	0	53,450
Restricted for Capital Projects	0	295,598	0	0	232,718	0	528,316
Restricted for Food Service	0	0	0	0	0	122	122
Assigned for Student Activities	0	0	0	0	0	27,764	27,764
Unassigned	560,632	0	0	0	0	0	560,632
Total Fund Balances	562,943	295,598	39,638	13,812	232,718	27,886	1,172,595
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,172,167	\$ 305,604	\$ 39,638	\$ 13,812	\$ 232,718	\$ 39,675	\$ 1,803,614

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

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

JUNE 30, 2022

Total Governmental Fund Balances \$ 1,172,595

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is	\$ 9,567,920	
Accumulated depreciation is	<u>(5,039,682)</u>	4,528,238

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Bonds Payable	(1,650,000)
Compensated Absences	(17,715)
Net Pension Liability	(2,838,526)
Net Other Postemployment Benefit Liability	(193,284)

Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions and Other Postemployment Benefits	1,068,510
Deferred Inflows of Resources Related to Pensions and Other Postemployment Benefits	(1,980,476)

Accrued interest on bonds is not included as a liability in government funds, it is recorded when paid.

(5,784)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 83,558

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

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

YEAR ENDED JUNE 30, 2022

	GENERAL FUND	2020 CAPITAL PROJECTS FUND	2014 DEBT SERVICE FUND	2020 DEBT SERVICE FUND	SINKING FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>							
Local Sources	\$ 1,465,810	\$ 637	\$ 137,213	\$ 111,462	\$ 125,202	\$ 25,624	\$ 1,865,948
State Sources	1,082,288	0	0	0	0	1,764	1,084,052
Federal Sources	473,217	0	0	0	0	0	473,217
Other Transactions	498,188	0	0	0	0	0	498,188
Total Revenues	3,519,503	637	137,213	111,462	125,202	27,388	3,921,405
<u>EXPENDITURES</u>							
Instruction	2,104,435	0	0	0	0	0	2,104,435
Supporting Services	1,139,428	0	0	0	0	30,352	1,169,780
Community Services	107,163	0	0	0	0	0	107,163
Facilities Acquisition, Construction and Improvements	0	768,684	0	0	15,513	0	784,197
Food Service	0	0	0	0	0	7,819	7,819
Debt Service	0	0	120,720	99,154	0	0	219,874
Total Expenditures	3,351,026	768,684	120,720	99,154	15,513	38,171	4,393,268
Excess (Deficiency) of Revenues Over Expenditures	168,477	(768,047)	16,493	12,308	109,689	(10,783)	(471,863)
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In	0	0	0	0	0	2,052	2,052
Transfers Out	(2,052)	0	0	0	0	0	(2,052)
Total Other Financing Sources (Uses)	(2,052)	0	0	0	0	2,052	0
Net Change in Fund Balance	166,425	(768,047)	16,493	12,308	109,689	(8,731)	(471,863)
<u>FUND BALANCE</u> - Beginning of Year	396,518	1,063,645	23,145	1,504	123,029	36,617	1,644,458
<u>FUND BALANCE</u> - End of Year	\$ 562,943	\$ 295,598	\$ 39,638	\$ 13,812	\$ 232,718	\$ 27,886	\$ 1,172,595

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances Total Governmental Funds \$ (471,863)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(155,666)
Capital Outlay	808,623

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Change in Accrued Interest Payable	812
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Governmental funds report District pension and other postemployment benefits contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions is reported as expense.

Change in Pension and Other Postemployment Benefit Related Items	363,318
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Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension contributions subsequent to the measurement date.

Change in State Aid Funding for Pension	(48,752)
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Employees' compensated absences are reported on the accrual method in the Statement of Activities, but only recorded as an expenditure when financial resources are used in the governmental funds.

Change in Compensated Absences	15,930
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The repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it is a reduction of liabilities). The issuance of long-term debt provides current financial resources to governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the

Repayment of Principal	<u>180,000</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 692,402</u></u>
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The notes to the financial statements are an integral part of this statement.

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

The District reports the following major governmental funds:

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

The *2020 Capital Projects Fund* accounts for the acquisition of capital assets and construction of major capital projects.

The *2014 Debt Service Fund* accounts for the revenues and expenditures related to the 2014 School Improvement Bonds.

The *2020 Debt Service Fund* accounts for the revenues and expenditures related to the 2020 Building and Site Bonds.

The *Sinking Fund* accounts for revenues and expenditures related to capital projects.

Other non-major funds:

The *Food Service Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for food service.

The *Student Activities Special Revenue Fund* accounts for revenue sources that are assigned for specific purposes. The District accounts for its student activities in a special revenue fund.

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

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

E. Measurement Focus and Basis of Accounting

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

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term obligations are reported as other financing sources.

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

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

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

- (a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- (b) A public hearing is conducted during June to obtain taxpayer comments.
- (c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- (d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- (e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- (f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- (g) Budgeted amounts are as originally adopted in June 2021, or as amended by the School Board of Education throughout the year.

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

1. Cash and Cash Equivalents

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

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration and the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings, and Loan Insurance Corporation, or National

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two years of the date of purchase. The District's deposits and investments are held separately by several of the District's funds.

3. *Inventory and Prepaid Items*

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories, when applicable, consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date of the donation. Donated capital assets are only reported under the accrual method of accounting.

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.

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:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Site Improvements	20
Equipment	5-20
Vehicles and Buses	5-8

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue in the General Fund that is related to state and local grants/donations, with restriction on how they can be spent. The funds have been received but as of the year-end have not been spent.

6. *Defined Benefit Plans*

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

7. *Long-Term Obligations*

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

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

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has items that qualify for reporting in this category related to its pension and other postemployment benefits plan, which are discussed in Note 2-I and 2-J of this report.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has items that qualify

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

for reporting in this category related to its pension and other postemployment benefits plan, which are discussed in Note 2-I and 2-J of this report.

9. *Net Position Flow Assumption*

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

10. *Fund Balance Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. *Fund Balance Policies*

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

12. Use of Estimates

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

13. Restricted Assets

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable spending requirements and they are maintained in separate bank accounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2022, the foundation allowance was based on pupil membership counts taken in October 2021 and February 2021. For fiscal year ended June 30, 2022, the per pupil foundation allowance was \$8,700 for Alanson Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2021 to August 2022. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1, and due July 1. The levy becomes delinquent as of February 14 for all taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2022, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund - Non-Homestead	18.0000
General Fund - Commercial PPT	6.0000
2020 Debt Service Fund - PRE, Non-PRE, Commercial Personal Property	0.6500
2014 Debt Service Fund - PRE, Non-PRE, Commercial Personal Property	0.8000
Sinking Fund - PRE, Non-PRE, Commercial Personal Property	0.7299

4. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, the District's bank balance was \$1,237,420 and \$987,420 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Deposits of \$1,225,938 are reported in the financial statements as cash and cash equivalents (\$920,334) and restricted cash (\$305,604).

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

<u>Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
MILAF+ External Investment Pool - MAX Class	<u>\$ 301,166</u>	N/A
Portfolio Weighted Average Maturity		<u>N/A</u>

1 Day Maturity Equals 0.0027, One Year Equals 1.000

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

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

<u>Investments</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
MILAF+ External Investment Pool - MAX Class	<u>\$ 301,166</u>	AAAm

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

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

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

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

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

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

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

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

	Amortized Cost
MILAF+ External Investment Pool - MAX Class	<u>\$ 301,166</u>

B. Accrued Liabilities

Accrued liabilities reported by governmental funds at June 30, 2022, were as follows:

	General Fund
Salaries	\$ 159,345
Employee Benefits	113,883
Total Accrued Liabilities	<u>\$ 273,228</u>

C. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Food Service Fund	Total
Receivables:			
Due from Other Governmental Units	<u>\$ 253,213</u>	<u>\$ 193</u>	<u>\$253,406</u>

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs. The allowance for doubtful accounts is not considered to be material for disclosure.

D. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2022, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Food Service Fund	\$ 196
General Fund	2020 Capital Projects Fund	3,534
Sinking Fund	General Fund	23
2014 Debt Service Fund	General Fund	25
2020 Debt Service Fund	General Fund	20
General Fund	Nonmajor Student Activities Fund	11,593
Sinking Fund	2020 Capital Projects Fund	5,402
		<u>\$ 20,793</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2022, were:

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
Nonmajor Food Service Fund	General Fund	<u>\$ 2,052</u>

E. GASB Statement No. 87 – Leases

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

F. Long-Term Obligations

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2022:

	GENERAL OBLIGATION BONDS	COMPENSATED ABSENCES	NET OPEB LIABILITY	NET PENSION LIABILITY	TOTAL
Balance, July 1, 2021	\$ 1,830,000	\$ 33,645	\$ 631,279	\$ 3,914,530	\$ 6,409,454
Additions	0	2,791	94,003	359,995	456,789
Deletions	(180,000)	(18,721)	(531,998)	(1,435,999)	(2,166,718)
Balance, June 30, 2022	1,650,000	17,715	193,284	2,838,526	4,699,525
Less current portion	(190,000)	Unknown	Unknown	Unknown	(190,000)
Total due after one year	<u>\$ 1,460,000</u>	<u>\$ 17,715</u>	<u>\$ 193,284</u>	<u>\$ 2,838,526</u>	<u>\$ 4,509,525</u>

At June 30, 2022, the District's long-term obligations consisted of the following:

General Obligation Bonds

2020 Building and Site Bonds due in annual installments of \$80,000 to \$220,000 through May 1, 2030, interest at 1.93% \$ 1,425,000

2014 School Improvement bonds due in annual installments of \$110,000 to \$115,000 through May 1, 2024, interest at 3.20% 225,000

Other Obligations

Compensated Absences 17,715

Net Pension Liability 2,838,526

Net Other Postemployment Benefits Liability 193,284

Total \$ 4,699,525

Interest expense for the fiscal year was approximately \$39,000.

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The annual requirements to amortize debt outstanding as of June 30, 2022, including interest payments of \$151,094 are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 190,000	\$ 34,703	\$ 224,703
2024	195,000	29,639	224,639
2025	200,000	24,415	224,415
2026	205,000	20,555	225,555
2027	210,000	14,502	224,502
2028-2030	650,000	27,280	677,280
	<u>\$ 1,650,000</u>	<u>\$ 151,094</u>	<u>\$ 1,801,094</u>

The annual requirements to amortize the pension and other postemployment benefits liabilities and compensated absences are uncertain because it is unknown when the repayments will be made. The pension and other postemployment benefits liabilities and compensated absences will be paid by the General Fund.

G. Capital Assets

A summary of changes in the District's capital assets follows:

	<u>Balance</u>		<u>Balance</u>	
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Capital Assets Not Being Depreciated				
Land	\$ 6,000	\$ 0	\$ 0	\$ 6,000
Capital Assets Being Depreciated				
Buildings	6,680,946	0	0	6,680,946
Site Improvements	1,448,393	763,281	0	2,211,674
Equipment	372,893	45,342	64,654	353,581
Vehicles and Buses	315,719	0	0	315,719
Subtotal	8,817,951	808,623	64,654	9,561,920
Less Accumulated Depreciation for:				
Buildings	3,839,734	90,280	0	3,930,014
Site Improvements	691,794	31,163	0	722,957
Equipment	181,496	23,664	64,654	140,506
Vehicles and Buses	235,646	10,559	0	246,205
Accumulated Depreciation	4,948,670	155,666	64,654	5,039,682
Net capital assets being depreciated	3,869,281	652,957	0	4,522,238
Net capital assets	\$ 3,875,281	\$ 652,957	\$ 0	\$ 4,528,238

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Depreciation for the fiscal year ended June 30, 2022, amounted to \$155,666. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

H. Defined Benefit Plan and Postemployment Benefits

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

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

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

Benefit Provisions - Overall

Introduction

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

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

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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

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

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service their after would include a 1.25% pension factor.

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

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

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

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

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

Pension Reform of 2017

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

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Benefits Provided – Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other post-employment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The 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.

Pension and OPEB contributions made in the fiscal year ending September 30, 2021, were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018, are amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.45%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District’s pension contributions for the year ended June 30, 2022, were equal to the required contribution total. Pension contributions were approximately \$440,000, with \$413,000 specifically for the Defined Benefit Plan.

The District’s OPEB contributions for the year ended June 30, 2022, were equal to the required contribution total. OPEB benefits were approximately \$93,000, with \$84,000 specifically for the Defined Benefit Plan.

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

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

Pension Liabilities

At June 30, 2022, the District reported a liability of \$2,838,526 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the District's proportion was 0.0119893% and was 0.01139565%.

MPSERS (Plan) Non-university Employers Net Pension Liability

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan Fiduciary Net Position	<u>(62,717,060,920)</u>	<u>(50,939,496,006)</u>
Net Pension Liability	<u>\$ 23,675,412,475</u>	<u>\$ 34,351,087,793</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.60%	59.72%
Net Pension Liability as a Percentage of Covered Payroll	261.68%	387.25%

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

For the year ended June 30, 2022, the District recognized total pension expense of \$254,192.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 43,970	\$ 16,716
Changes of assumptions	178,931	0
Net difference between projected and actual earnings on pension plan investments	0	912,577
Changes in proportion and differences between District contributions and proportionate share of contributions	141,228	83,118
District section 147c revenue related to pension contributions subsequent to the measurement date	0	203,203
District contributions subsequent to the measurement date	395,617	0
Total	<u>\$ 759,746</u>	<u>\$ 1,215,614</u>

\$395,617 reported as deferred outflows of resources and \$203,203 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ (101,004)
2023	(136,687)
2024	(181,316)
2025	(229,275)
	<u>\$ (648,282)</u>

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

OPEB Liabilities

At June 30, 2022, the District reported a liability of \$193,284 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the District's proportion was 0.01266294% and 0.01178361%

MPSERS (Plan) Non-University Employers Net OPEB Liability

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total OPEB Liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan Fiduciary Net Position	<u>(10,520,015,621)</u>	<u>(7,849,636,555)</u>
OPEB Liability	<u>\$ 1,526,377,890</u>	<u>\$ 5,357,266,979</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	87.33%	59.44%
OPEB Liability as a Percentage of Covered Payroll	16.87%	60.39%

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

For the year ended June 30, 2022, the District recognized an OPEB benefit of \$117,678.

At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 551,716
Changes of assumptions	161,576	24,178
Net difference between projected and actual earnings on OPEB plan investments	0	145,682
Changes in proportion and differences between District contributions and proportionate share of contributions	71,904	43,286
District contributions subsequent to the measurement date	<u>75,284</u>	<u>0</u>
Total	<u>\$ 308,764</u>	<u>\$ 764,862</u>

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

\$75,284 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ (155,525)
2023	(133,273)
2024	(107,969)
2025	(102,334)
2026	(28,535)
Thereafter	(3,746)
	<u>\$ (531,382)</u>

K. Actuarial Assumptions

Investment rate of return for Pension – 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

Investment rate of return for OPEB – 6.95% a year, compounded annually net of investment and administrative expenses.

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

Inflation – 3.0%

Mortality assumptions –

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree’s death.

Coverage Election at Retirement – 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.00%	5.40%
Private Equity Pools	16.00%	9.10%
International Equity Pools	15.00%	7.50%
Fixed Income Pools	10.50%	-0.70%
Real Estate & Infrastructure Pools	10.00%	5.40%
Absolute Return Pools	9.00%	2.60%
Real Return/Opportunistic Pools	12.50%	6.10%
Short-Term Investment Pools	2.00%	-1.30%
	<u>100%</u>	

*Long-term rate of return is net of administrative expenses and 2.0% inflation.

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Rate of return

For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.30% and 27.14% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Pension				
1% Decrease	Discount Rate	1% Increase		
\$	4,058,322	\$	2,838,526	\$ 1,827,235

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

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

OPEB			
1% Decrease	Discount Rate	1% Increase	
\$ 359,157	\$ 193,284	\$ 52,518	

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

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

OPEB			
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase	
\$ 47,044	\$ 193,284	\$ 357,822	

L. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2021 Annual Comprehensive Financial Report

M. Payables to the Pension and OPEB Plan

As of June 30, 2022, the District is current on all required pension and other postemployment benefit plan payments. As of June 30, 2022, the District reported payables in the amount of \$80,965 to the pension and OPEB plan. These amounts represent accruals for summer pay primarily for teachers and the contributions due and funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

N. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health insurance. No settlements have occurred in excess of coverage for June 30, 2022, or any of the prior three years.

O. Capital Projects Fund

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

P. Commitments and Contingencies

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

Prior to year-end, the District had approved contracts totaling \$129,502 related to various improvements using bond issuance proceeds in the 2020 Capital Projects Fund and purchase of a mower in the amount of \$12,900.

Q. Sinking Fund Tax Levy

In May 2020, the taxpayers approved a sinking fund tax levy. The District is authorized to levy 0.7359 mills for five years beginning with the 2020 tax roll. The transactions for the sinking fund are accounted for in a capital projects fund. For this fund, 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.

NOTE 3 – UPCOMING ACCOUNTING PRONOUCEMENTS

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note

ALANSON PUBLIC SCHOOLS

ALANSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 1,493,815	\$ 1,467,871	\$ 1,465,810
State Sources	939,623	1,075,669	1,082,288
Federal Sources	627,470	473,370	473,217
Other Transactions	501,158	498,200	498,188
	<u>3,562,066</u>	<u>3,515,110</u>	<u>3,519,503</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	1,504,928	1,569,410	1,563,344
Added Needs	775,153	542,584	541,091
Supporting Services			
Pupil	114,206	125,912	122,987
Instructional Staff	87,806	57,761	52,378
General Administration	29,000	23,630	22,367
School Administration	277,186	282,145	279,478
Business	63,800	65,518	65,518
Operation and Maintenance	328,725	348,805	343,815
Pupil Transportation Services	124,303	107,898	98,901
Support Services - Central	130,063	95,180	95,173
Support Services - Other	71,451	62,336	58,811
Community Services	88,225	107,947	107,163
	<u>3,594,846</u>	<u>3,389,126</u>	<u>3,351,026</u>
Excess (Deficiency) of Revenues Over Expenditures	(32,780)	125,984	168,477
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	0	(2,249)	(2,052)
Net Change in Fund Balance	(32,780)	123,735	166,425
<u>FUND BALANCE</u> - Beginning of Year	<u>396,286</u>	<u>396,518</u>	<u>396,518</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 363,506</u>	<u>\$ 520,253</u>	<u>\$ 562,943</u>

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2022

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)			0.01199%	0.01140%	0.11410%	0.01201%	0.01294%	0.01359%	0.01360%	0.01489%
District's proportionate share of net pension liability			\$ 2,838,526	\$ 3,914,530	\$ 3,778,694	\$ 3,609,506	\$ 3,352,708	\$ 3,391,332	\$ 3,320,885	\$ 3,280,517
District's covered payroll			1,165,924	1,052,904	1,034,779	980,272	1,062,912	1,156,668	1,148,052	1,276,161
District's proportionate share of net pension liability as a percentage of its covered payroll			243.46%	371.78%	365.17%	368.21%	315.43%	293.20%	289.26%	257.06%
Plan fiduciary net position as a percentage of total pension liability			72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2022

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions			\$ 413,623	\$ 363,974	\$ 320,043	\$ 296,298	\$ 308,588	\$ 307,929	\$ 262,289	\$ 253,598
Contributions in relation to statutorily required contributions *			413,623	363,974	320,043	296,298	308,588	307,929	262,289	253,598
Contribution deficiency (excess)			\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll			\$ 1,160,403	\$ 1,148,694	\$ 1,069,269	\$ 970,165	\$ 1,001,612	\$ 1,089,176	\$ 1,109,190	\$ 1,172,672
Contributions as a percentage of covered payroll			35.64%	31.69%	29.93%	30.54%	30.81%	28.27%	23.65%	21.63%

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2022

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)						0.01266%	0.01178%	0.01179%	0.01151%	0.01306%
District's proportionate share of net OPEB liability						\$ 193,284	\$ 631,279	\$ 846,465	\$ 915,615	\$ 1,156,664
District's covered payroll						1,165,924	1,052,904	1,034,779	980,272	1,062,912
District's proportionate share of net OPEB liability as a percentage of its covered payroll						16.58%	59.96%	81.80%	93.40%	108.82%
Plan fiduciary net position as a percentage of total OPEB liability						87.33%	59.44%	48.46%	42.95%	36.39%

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2022

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statorily required contributions						\$ 83,536	\$ 86,783	\$ 78,505	\$ 72,195	\$ 70,753
Contributions in relation to statorily required contributions *						83,536	86,783	78,505	72,195	70,753
Contribution deficiency (excess)						\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll						\$ 1,160,403	\$ 1,148,694	\$ 1,069,269	\$ 970,165	\$ 1,001,612
Contributions as a percentage of covered payroll						7.20%	7.55%	7.34%	7.44%	7.06%

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2022

Pension Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2021.

Changes of Assumptions – There were no changes of assumptions for the plan year ended September 30, 2021.

OPEB Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2021.

Changes of Assumptions – The assumption changes for the plan year ending September 30, 2021, were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2022

	SPECIAL REVENUE FUNDS			TOTAL
	FOOD	STUDENT		NONMAJOR
	SERVICE	ACTIVITIES		GOVERNMENTAL
	FUND	FUND		FUNDS
<u>ASSETS</u>				
Cash	\$ 125	\$ 39,357	\$	39,482
Due from Other Governmental Units	193	0		193
TOTAL ASSETS	\$ 318	\$ 39,357	\$	39,675
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 196	\$ 11,593	\$	11,789
<u>FUND BALANCES</u>				
Restricted for Food Service	122	0		122
Assigned for Student Activities	0	27,764		27,764
Total Fund Balances	122	27,764		27,886
TOTAL LIABILITIES AND FUND BALANCES	\$ 318	\$ 39,357	\$	39,675

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

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

YEAR ENDED JUNE 30, 2022

	<u>SPECIAL REVENUE FUNDS</u>		<u>TOTAL</u>
	<u>FOOD</u>	<u>STUDENT</u>	<u>NONMAJOR</u>
	<u>SERVICE</u>	<u>ACTIVITIES</u>	<u>GOVERNMENTAL</u>
	<u>FUND</u>	<u>FUND</u>	<u>FUNDS</u>
<u>REVENUES</u>			
Local Sources	\$ 4,000	\$ 21,624	\$ 25,624
State Sources	1,764	0	1,764
Total Revenues	5,764	21,624	27,388
<u>EXPENDITURES</u>			
Supporting Services	0	30,352	30,352
Food Service Activities	7,819	0	7,819
Total Expenditures	7,819	30,352	38,171
Excess (Deficiency) of Revenues Over Expenditures	(2,055)	(8,728)	(10,783)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	2,052	0	2,052
Net Change in Fund Balance	(3)	(8,728)	(8,731)
<u>FUND BALANCE</u> - Beginning of Year	125	36,492	36,617
<u>FUND BALANCE</u> - End of Year	\$ 122	\$ 27,764	\$ 27,886

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

