

MILLINGTON COMMUNITY SCHOOLS
Millington, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional supplementary information)

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Millington Community Schools
Millington, Michigan 48746

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 Millington Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Millington Community Schools' 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 Millington Community Schools, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof 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 Millington Community 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Millington Community 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Millington Community 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Millington Community 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 other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Millington Community Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and 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 additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of Millington Community 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 Millington Community 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 Millington Community Schools' internal control over financial reporting and compliance.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 31, 2022

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022**

This financial report is presented in the format required by generally accepted accounting principles.

District – Wide Financial Statements

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

The Statement of Net Position (page 12) combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

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

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The other funds used by Millington Community Schools include Food Service, Student/School Activities, Capital Projects, Sinking Fund, and Debt Service Fund.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022**

Financial Analysis of the District as a Whole
Summary of Net Position

	2022 Governmental <u>Activities</u>	2021 Governmental <u>Activities</u>
Assets		
Current	\$ 7,827,628	\$ 7,214,353
Capital, net	<u>13,722,391</u>	<u>14,095,554</u>
Total	<u>21,550,019</u>	<u>21,309,907</u>
Deferred outflows of resources	<u>4,255,180</u>	<u>6,180,701</u>
Liabilities		
Current	2,728,121	3,465,262
OPEB Liability	918,370	3,330,437
Pension Liability	14,404,992	21,749,219
Long-term	<u>4,534,629</u>	<u>4,612,720</u>
Total	<u>22,586,112</u>	<u>33,157,638</u>
Deferred inflows of resources	<u>10,393,502</u>	<u>4,153,077</u>
Net position		
Net investment in		
capital assets	9,522,476	9,553,092
Restricted	508,649	616,137
Unrestricted	<u>(17,205,540)</u>	<u>(19,989,336)</u>
Total	<u>\$ (7,174,415)</u>	<u>\$ (9,820,107)</u>

Unrestricted net assets are similar but not identical to fund balance. A reconciliation of the difference between increased net position and an increase in fund balance is on page 17.

Total current assets are more than those of 2021. This is mainly due to reduced operational costs in the general fund.

The decrease in District capital assets is the result of annual depreciation expense in the amount of \$760,215. See page 27 for further details.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022**

Changes in Net Position

	2022 Governmental <u>Activities</u>	2021 Governmental <u>Activities</u>
Revenues		
Program revenues		
Charges for services	\$ 143,432	\$ 72,844
Operating grants and contributions	4,520,396	3,848,330
General revenues		
Property taxes	1,531,422	1,472,587
State foundation allowance	8,988,464	8,570,421
Other	<u>264,590</u>	<u>220,102</u>
Total	<u>15,448,304</u>	<u>14,184,284</u>
Expenses		
Instruction	6,685,245	8,076,103
Support Services	4,229,880	4,293,349
Food Services	856,051	1,018,976
Community Services	17,107	30,787
Student/School Activities	115,679	36,233
Capital Outlay	39,253	13,157
Other Transactions	<u>859,397</u>	<u>691,822</u>
Total	<u>12,802,612</u>	<u>14,160,427</u>
Increase (Decrease) in Net Position	2,645,692	23,857
Net position beginning of year	<u>(9,820,107)</u>	<u>(9,843,964)</u>
Net position end of year	<u>\$ (7,174,415)</u>	<u>\$ (9,820,107)</u>

Total revenues for the district were substantially higher than 2021 levels by \$1,264,020 or 9%. Revenue from the state foundation allowance increased \$418,043. This revenue increase is primarily the result of a stable student count combined with a foundation grant increase. Federal grants and other contributions to the district were much higher due to ESSER funding and increased \$672,066 from the prior year. Charges for services increased \$70,588. Other revenues also increased \$44,488.

The result of total operations produced expenditures that were \$1,357,815 less than 2021. This represents a decrease of 10% from 2021 levels.

Instructional expenses were down \$1,390,858, along with support services expenditures which decreased by \$63,469 from 2021 levels.

Food services expenditures were down \$162,925 compared to 2021. Student activities expense increased \$79,446. Community education expenditures decreased by \$13,680.

The cumulative impact of the above net changes in revenues and the net changes in total governmental activities yields an increase in net position of the District for the fiscal year-end of \$2,645,692.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022**

School District's Funds

As the School District completed this fiscal year, the governmental funds reported a combined fund balance of \$5,124,107, which is an increase over the prior year. The primary reasons for the increase was additional state and federal support for programs.

In the General Fund, our principal operating fund, the fund balance increased by \$960,727 for the fiscal year.

The Food Service Fund and Student/School Activities both added increases of fund balance by \$113,330 collectively. While the Debt Service and Sinking Funds decreased by \$304,555. These funds have property tax revenue and the debt service will account for the repayment of the new 2019 bonds.

Nearly 81% of the District's general fund revenues are received from State sources. This has remained relatively consistent over the last several fiscal years, with a slight shift towards increased federal percentage. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Student enrollment calculated by blending 90 percent of the current year's fall count and 10 percent of the previous year's winter count.
3. The amount raised by the District's non-homestead property tax levy of 18.0000 mills.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. Millington Community Schools' foundation allowance for 2021-2022 was \$8,700 per student. This amount was the largest ever increase in the foundation allowance.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022**

Student Enrollment

The District's student "Full Time Equivalent" (FTE) for the blended count of 2021-2022 was 1,132 students. The following summarizes fall student enrollments in the past five years:

Enrollment History

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>Change From Prior Year</u>
2021-2022	1,132	(13)
2020-2021	1,145	(15)
2019-2020	1,160	(52)
2018-2019	1,212	(35)
2017-2018	1,247	-

The reduction in enrollment is directly related to the effects of COVID-virtual or home schooled students and a lower birth rate in the State of Michigan.

Property Taxes Levied for General Operations

The District levied 18.0000 mills of property taxes for operations (General Fund) on Non-Homestead properties for 2021-2022. This represents an increase in levy with the 2021-2022 levies. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

Local Property Tax History

<u>Fiscal Year</u>	<u>Local Property Tax Revenue</u>	<u>% of General Fund Revenue</u>
2021-2022	\$ 796,075	6.24%
2020-2021	\$ 752,950	5.90%
2019-2020	\$ 699,289	5.88%
2018-2019	\$ 696,460	5.81%
2017-2018	\$ 727,717	6.07%

Local revenues in the table include the receipt of delinquent taxes from prior years. For the fiscal year ended June 30, 2022, the District had minimal current year property taxes that had not been collected.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022**

Capital Assets

At June 30, 2022, the District had \$13,722,391 invested in capital assets including land, buildings, furniture, and equipment.

	June 30,	
	2022	2021
Assets		
Land	\$ 40,000	\$ 40,000
Site improvements	2,198,649	2,198,649
Buildings and improvements	20,136,593	19,954,717
Buses and other vehicles	1,043,733	899,733
Furniture and equipment	777,783	716,607
Subtotal	24,196,758	23,809,706
Less accumulated depreciation	(10,474,367)	(9,714,152)
Total assets	\$ 13,722,391	\$ 14,095,554

Long-Term Debt

The long-term obligations for the District decreased by \$655,605. This included a net decrease in governmental obligation bonds of \$522,132 and a decrease in the installment loans of \$102,514.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022**

Final Budget versus Actual

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2021-2022 was approved in June 2021 and amended in December 2021 and March, May, and June of 2022.

General Fund Revenues

	2021-22
Total actual revenues	\$ 13,705,630
Total revenues final budget	13,997,708
Change	\$ (292,078)

The Districts' actual general fund revenues of \$13,705,630 were just lower than the revised budget by \$292,078, a variance of just over 2%.

General Fund Expenditures

	2021-22
Total actual expenditures	\$ 12,748,009
Total expenditures final budget	13,983,930
Change	\$ 1,235,921

The District's actual general fund expenditures of \$12,748,009 were less than the revised budget by \$1,235,921, a positive variance of 9.89%. This mainly due to cost avoidance due to COVID programing and federal grant support.

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. Once the final student count is known in early October, State law requires the District to amend the budget if actual revenues will vary significantly from those originally appropriated.

Actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The revenues will increase due to a \$450 increase to the foundation grant for 2022-2023. Federal ESSER funds of over \$1.5M will be used to assist the district.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022**

Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to District Office at 8664 Dean Drive, Millington, MI 48746 or by phone at (989) 660-2450.

BASIC FINANCIAL STATEMENTS

MILLINGTON COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 4,704,374
Investments	364,837
Intergovernmental receivable	2,712,897
Deposits receivable	42,000
Prepaid expenses	3,520
Capital assets not being depreciated	40,000
Capital assets, net of accumulated depreciation/amortization	13,682,391
TOTAL ASSETS	21,550,019
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	1,200,814
Related to pensions	3,054,366
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,255,180
LIABILITIES	
Accounts payable	44,324
Accrued salaries and related items	767,921
Accrued retirement	351,408
Unearned revenue	34,830
Accrued interest	29,638
Note payable	1,500,000
Noncurrent liabilities:	
Due within one year	525,538
Due in more than one year	4,009,091
Net other postemployment benefit liabilities	918,370
Net pension liability	14,404,992
TOTAL LIABILITIES	22,586,112
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	5,658,186
Related to other postemployment benefits	3,789,537
Related to state aid funding for pension	945,779
TOTAL DEFERRED INFLOWS OF RESOURCES	10,393,502
NET POSITION	
Net investment in capital assets	9,522,476
Restricted for debt service	302,639
Restricted for food service	193,667
Restricted for capital projects	12,343
Unrestricted	(17,205,540)
TOTAL NET POSITION	\$ (7,174,415)

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	\$ 6,685,245	\$ 74,157	\$ 2,394,655	\$ (4,216,433)
Support services	4,229,880	31,782	1,026,281	(3,171,817)
Community services	17,107	-		(17,107)
Food services	856,051	37,493	952,486	133,928
Student/school activities	115,679		146,974	31,295
Capital outlay	39,253			(39,253)
Interest on long-term debt	99,182			(99,182)
Unallocated depreciation	760,215			(760,215)
Total governmental activities	\$ 12,802,612	\$ 143,432	\$ 4,520,396	(8,138,784)
General revenues:				
Property taxes, levied for general purposes				796,075
Property taxes, levied for debt service				442,398
Property taxes, levied for sinking fund capital projects				292,949
State sources - unrestricted				8,988,464
Investment earnings				6,287
Intermediate sources				195,135
Sale of school property				3,106
Other				60,062
Total general revenues				10,784,476
Change in net position				2,645,692
Net position, beginning of year				(9,820,107)
Net position, end of year				\$ (7,174,415)

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>GENERAL FUND</u>	<u>SINKING FUND</u>	<u>DEBT SERVICE</u>	<u>TOTAL NONMAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 3,298,030	\$ 557,815	\$ 327,239	\$ 521,290	\$ 4,704,374
Investments	364,837				364,837
Intergovernmental receivable	2,706,611		-	6,286	2,712,897
Due from other funds	541,398		-	24,966	566,364
Deposits receivable				42,000	42,000
Prepaid expenditures	3,520				3,520
TOTAL ASSETS	<u>\$ 6,914,396</u>	<u>\$ 557,815</u>	<u>\$ 327,239</u>	<u>\$ 594,542</u>	<u>\$ 8,393,992</u>
<u>LIABILITIES & FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 34,572	\$ 4,074	\$ -	\$ 5,678	\$ 44,324
Due to other funds	24,966	541,398	-	-	566,364
Accrued salaries and related items	766,885			1,036	767,921
Accrued retirement	349,861			1,547	351,408
Unearned revenue	34,830				34,830
Accrued interest	5,038				5,038
State aid anticipation note payable	1,500,000				1,500,000
TOTAL LIABILITIES	<u>2,716,152</u>	<u>545,472</u>	<u>-</u>	<u>8,261</u>	<u>3,269,885</u>
FUND BALANCES:					
Nonspendable for:					
Prepaid expenditures	3,520				3,520
Restricted for:					
Debt service			327,239		327,239
Food service				408,284	408,284
Capital projects		12,343			12,343
Committed for:					
Student/school activities				177,997	177,997
Unassigned	4,194,724				4,194,724
TOTAL FUND BALANCES	<u>4,198,244</u>	<u>12,343</u>	<u>327,239</u>	<u>586,281</u>	<u>5,124,107</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 6,914,396</u>	<u>\$ 557,815</u>	<u>\$ 327,239</u>	<u>\$ 594,542</u>	<u>\$ 8,393,992</u>

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances - Governmental Funds \$ 5,124,107

Amounts reported for governmental activities in the statement of net position are different because:

Deferred outflows of resources - related to pensions	3,054,366
Deferred outflows of resources - related to other postemployment benefits	1,200,814
Deferred inflows of resources - related to pensions	(5,658,186)
Deferred inflows of resources - related to other postemployment benefits	(3,789,537)
Deferred inflows of resources - related to state aid funding for pension	(945,779)

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

The cost of the capital assets is	24,196,758
Accumulated depreciation/amortization is	(10,474,367)

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

General obligation bonds, bond premiums, and bond discounts	(4,199,915)
Notes from direct borrowings and direct placements	(81,677)
Compensated absences	(253,037)
Net other postemployment benefits liabilities	(918,370)
Net pension liability	(14,404,992)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid	(24,600)

Net Position of Governmental Activities \$ (7,174,415)

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	<u>GENERAL FUND</u>	<u>SINKING FUND</u>	<u>DEBT SERVICE</u>	<u>TOTAL NONMAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:					
Local sources					
Taxes	\$ 796,075	\$ 292,949	\$ 442,398	\$ -	\$ 1,531,422
Charges for services	105,939			37,493	143,432
Student activity income				146,974	146,974
Other	59,648	6,019	684	-	66,351
State sources	10,825,483			33,325	10,858,808
Federal sources	1,723,350			919,161	2,642,511
Incoming transfers and other	195,135				195,135
TOTAL REVENUES	<u>13,705,630</u>	<u>298,968</u>	<u>443,082</u>	<u>1,136,953</u>	<u>15,584,633</u>
EXPENDITURES:					
Instruction	7,922,180				7,922,180
Supporting services	4,708,965				4,708,965
Community services	17,107				17,107
Food services				907,944	907,944
Student/school activities				115,679	115,679
Capital outlay		426,305		-	426,305
Debt service:					
Principal repayment	95,343		475,000	-	570,343
Interest and fiscal charges	4,414		145,300	-	149,714
TOTAL EXPENDITURES	<u>12,748,009</u>	<u>426,305</u>	<u>620,300</u>	<u>1,023,623</u>	<u>14,818,237</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>957,621</u>	<u>(127,337)</u>	<u>(177,218)</u>	<u>113,330</u>	<u>766,396</u>
OTHER FINANCING SOURCES (USES):					
Sale of property	3,106				3,106
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,106</u>
NET CHANGE IN FUND BALANCES	960,727	(127,337)	(177,218)	113,330	769,502
FUND BALANCES - BEGINNING OF YEAR	<u>3,237,517</u>	<u>139,680</u>	<u>504,457</u>	<u>472,951</u>	<u>4,354,605</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,198,244</u>	<u>\$ 12,343</u>	<u>\$ 327,239</u>	<u>\$ 586,281</u>	<u>\$ 5,124,107</u>

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
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

Total net change in fund balances--governmental funds \$ 769,502

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation/amortization:

Depreciation/amortization expense	(760,215)
Capital outlay	387,052

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

Accrued interest payable at the beginning of the year	28,000
Accrued interest payable at the end of the year	(24,600)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Repayments of long-term debt	577,514
Amortization of bond premium and discount	47,132

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences at the beginning of the year	283,996
Accrued compensated absences at the end of the year	(253,037)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Other postemployment benefit related items	1,042,980
Pension related items	686,803

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period.

State aid funding for pension	(139,435)
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Change in net position of governmental activities \$ 2,645,692

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

REPORTING ENTITY:

Millington Community Schools (the "District") is governed by the Millington Community Schools Board of Education (the "Board"), 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 the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. 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. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

While separate government-wide and fund financial statements are presented, they are interrelated. The government activities column incorporates data from governmental funds.

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

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the District's funds. Separate statements for each fund category – governmental – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining 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 *sinking fund* accounts for the sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects for voter-approved purposes. The fund is kept open until the purpose for which the fund was created has been accomplished. The District has complied with applicable provisions of section 1212 of the Revised School Code.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the District reports the following non-major fund type:

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in the special revenue funds.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

During the course of operations the District 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, they are eliminated in the government-wide financial statements.

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 the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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.

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

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

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease 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. 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).

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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 current year ended, the foundation allowance was based on the pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exception (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30th is reported as an intergovernmental receivable.

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 and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measureable and available only when cash is received by the District.

BUDGETARY INFORMATION:

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one was approved prior to the year ended June 30th. The District does not consider these amendments to be significant.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses 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 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, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are valued at their estimated acquisition value at the date of donation.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and additions	20 - 50 years
Site improvements	20 years
Equipment and furniture	5 - 15 years
Buses and other vehicles	8 years

5. Defined Benefit Plan

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

6. Deferred outflows/inflows of resources

Deferred outflow:

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 two items that qualify for reporting in this category. They are the deferred charge on pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred inflow:

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net 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 three items that qualifies for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

7. 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.

8. Fund balance flow assumptions

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.

9. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of the 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 Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) 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 of Education may also assign fund balances 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.

REVENUES AND EXPENDITURES/EXPENSES:

1. Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements for a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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

<u>FUND</u>	<u>MILLS</u>
General Fund:	
Non-Principle Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Sinking Fund:	
PRE, Non-PRE, Commercial Personal Property	2.9459

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year which they are incurred.

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

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS:

As of June 30, 2022, the District had deposits and investments subject to the following risk:

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, \$4,651,620 of the District's bank balance of \$4,901,620 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value is \$4,704,374.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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 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.

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF - MAX Class	\$ 364,837	N/A
Total fair value	\$ 364,837	

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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Rating	Rating Agency
MILAF - MAX Class	\$ 364,837	AAAm	Standard & Poor's
Total fair value	\$ 364,837		

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

Fair value measurement. 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.

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 prices for similar securities, interest rates, prepayment speeds, credit risk and others.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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 District's own assumptions about the factors market participants would use in pricing an investment 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 include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds (CMC and MAX Class) are considered external investment pools as defined by the GASB and as such are recorded at amortized cost, which approximates 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.

Investment Type	Amortized Cost
MILAF - MAX Class	\$ 364,837
Total fair value	\$ 364,837

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2022:

	Primary Government
Cash and cash equivalents	\$ 4,704,374
Investments	364,837
	\$ 5,069,211

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables at June 30, 2022 consist of the following:

Governmental Units:	
State aid	\$ 1,965,760
Federal revenue	747,137
	\$ 2,712,897

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs. No allowance for doubtful accounts is considered necessary based on previous experience.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 – CAPITAL ASSETS:

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

	<u>BALANCE</u> <u>July 1, 2021</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2022</u>
Governmental activities:				
Assets not being depreciated:				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Subtotal	40,000	-	-	40,000
Capital assets being depreciated:				
Buildings and additions	19,954,717	181,876		20,136,593
Site Improvements	2,198,649			2,198,649
Equipment and furniture	716,607	61,176		777,783
Buses and other vehicles	899,733	144,000		1,043,733
Subtotal	23,769,706	387,052	-	24,156,758
Accumulated depreciation:				
Buildings and additions	(7,661,478)	(528,605)		(8,190,083)
Site Improvements	(1,062,407)	(95,503)		(1,157,910)
Equipment and furniture	(377,191)	(59,538)		(436,729)
Buses and other vehicles	(613,076)	(76,569)		(689,645)
Subtotal	(9,714,152)	(760,215)	-	(10,474,367)
Net capital assets being depreciated	14,055,554	(373,163)	-	13,682,391
Net governmental capital assets	<u>\$ 14,095,554</u>	<u>\$ (373,163)</u>	<u>\$ -</u>	<u>\$ 13,722,391</u>

Depreciation for the fiscal year ended June 30, 2022 amounted to \$760,215 and is reported as unallocated depreciation on the statement of activities. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 5 – NOTE PAYABLE - STATE AID ANTICIPATION NOTE:

At June 30, 2022, the District has a state aid anticipation note payable of \$1,500,000. The note has an interest rate of 0.39% and matures August 22, 2022. Proceeds of the note were used to fund school operations. The state aid note is secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the state may impose a penalty interest rate and at the state’s discretion, accelerate the repayment terms. Activity for the year ended June 30, 2022 is as follows:

Balance June 30, 2021	Additions	Payments	Balance June 30, 2022
\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000

NOTE 6 - 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.

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

	General Obligation Bonds	Compensated Absences	Notes from direct borrowings and direct placements	Total
Balance - July 1, 2021	\$ 4,722,047	\$ 283,996	\$ 184,191	\$ 5,190,234
Additions	-	-	-	-
Deletions	(522,132)	(30,959)	(102,514)	(655,605)
Balance - June 30, 2022	4,199,915	253,037	81,677	4,534,629
Due within one year	(475,000)	-	(50,538)	(525,538)
Due in more than one year	\$ 3,724,915	\$ 253,037	\$ 31,139	\$ 4,009,091

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Long-term obligation debt at June 30, 2022 is comprised of the following:

General obligation bonds:

2019 School Building and Site Bonds due in annual installments of \$440,000 to \$645,000 through May 2029 with interest at 2.00% to 4.00%.	\$ 3,870,000
Bond premium	349,176
Bond discount	<u>(19,261)</u>
Total general obligation bonds	<u>4,199,915</u>

Notes from direct borrowings and direct placements:

Installment bus purchase - The District purchased a school bus in August 2017 under an installment agreement. The agreement was for a total purchase price of \$78,191, requiring annual payments of \$15,638 through July 2022, and carrying an interest rate of 2.15%.	15,638
Installment bus purchase - The District purchased two school buses in August 2018 under an installment agreement. The agreement was for a total purchase price of \$155,699, requiring annual payments of \$31,140 through July 2023, and carrying an interest rate of 3.05%.	62,279
Installment agreement - The District purchased copy machines in December 2017. The installment agreement was for a total purchase price of \$32,632, requiring monthly payments of \$639 (includes interest) through December 2023.	<u>3,760</u>
Total notes from direct borrowings and direct placements	<u>81,677</u>
Total general obligation bonds and notes from direct borrowings	<u>4,281,592</u>
Accumulated compensated absences	<u>253,037</u>
Total general long-term obligations	<u><u>\$ 4,534,629</u></u>

Interest expense (all funds) for the year ended June 30, 2022 was \$149,714.

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$81,677 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

A total fund balance of \$327,239 is available in the debt service fund to service the general obligation debt.

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The annual requirements to amortize long-term debt outstanding as of June 30, 2022, including interest of payments, are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>General Obligation Bonds</u>		<u>Notes from Direct Borrowings and Direct Placements</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2023	\$ 475,000	\$ 135,300	\$ 50,538	\$ 2,308	\$ 663,146
2024	500,000	125,800	31,139	950	657,889
2025	520,000	115,800			635,800
2026	545,000	95,000			640,000
2027	575,000	73,200			648,200
2028 - 2029	1,255,000	76,000			1,331,000
Total	3,870,000	621,100	81,677	3,258	4,576,035
Bond premium	349,176				349,176
Bond discount	(19,261)				(19,261)
Compensated absences					253,037
Totals	<u>\$ 4,199,915</u>	<u>\$ 621,100</u>	<u>\$ 81,677</u>	<u>\$ 3,258</u>	<u>\$ 5,158,987</u>

NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES:

Interfund payable and receivable balances at June 30, 2022 are as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 541,398	\$ 24,966
Sinking Fund		541,398
Nonmajor Funds	24,966	
Total	<u>\$ 566,364</u>	<u>\$ 566,364</u>

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

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NOTE 8 – PENSION AND OTHER POSTEMPLOYEMENT BENEFITS:

Plan Description - The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPERS 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 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 Investment Board serves as the investment fiduciary and custodian for the system.

Benefits Provided - Overall - Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPERS 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 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% -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 Plan members.

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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% 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 account. 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 a Defined Contribution 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.

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Pension Reform of 2017 - On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, Pension Plus 2 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 Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will 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.

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, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care 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 stopped 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.

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%-7% for pension and 0%-3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

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Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. 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:

	Pension	Other Postemployment Benefit
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
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. Total pension contributions were approximately \$2,095,000. Of the total pension contributions, approximately \$2,040,000 was contributed to fund the Defined Benefit Plan and approximately \$55,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$475,000. Of the total OPEB contributions, approximately \$452,000 was contributed to fund the Defined Benefit Plan and approximately \$23,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

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.

MILLINGTON COMMUNITY SCHOOLS
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<u>MPSERS (Plan) Non-university employers:</u>	<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	\$ 62,717,060,920	\$ 50,939,496,006
Net Pension Liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate Share	0.06084%	0.06331%
Net Pension Liability for the District	\$ 14,404,992	\$ 21,749,219

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

For the year ended June 30, 2022, the District recognized pension expense of \$1,361,390.

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>
Changes of assumptions	\$ 908,039	
Net difference between projected and actual earnings on pension plan investments		\$ (4,631,159)
Differences between expected and actual experience	223,140	(84,828)
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,288	(942,199)
Reporting Unit contributions subsequent to the measurement date	1,905,899	
Total	<u>\$ 3,054,366</u>	<u>\$ (5,658,186)</u>

\$1,905,899, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a 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	\$ (708,424)
2023	(1,119,199)
2024	(1,357,142)
2025	(1,324,954)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation 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.

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total Other Postemployment Benefit Liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan Fiduciary Net Position	\$ 10,520,015,621	\$ 7,849,636,555
Net Other Postemployment Benefit Liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate Share	0.06017%	0.06217%
Net Other Postemployment Benefit Liability for the District	\$ 918,370	\$ 3,330,437

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

For the year ended June 30, 2022, the District recognized OPEB benefit of \$581,317.

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>
Change of assumptions	\$ 767,711	\$ 114,878
Net difference between projected and actual earnings on OPEB plan investments		692,192
Difference between expected and actual experience		2,621,421
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,999	361,046
Reporting Unit contributions subsequent to the measurement date	392,104	
Total	<u>\$ 1,200,814</u>	<u>\$ 3,789,537</u>

\$392,104, 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.

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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	\$ (760,080)
2023	(708,719)
2024	(662,217)
2025	(610,738)
2026	(211,347)
2027	(27,726)

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 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 wage 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 Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant 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.

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.

MILLINGTON COMMUNITY SCHOOLS
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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 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	25.0%	5.4%
International Equity Pools	15.0%	7.5%
Private Equity Pools	16.0%	9.1%
Real Estate and Infrastructure Pools	10.0%	5.4%
Fixed Income Pools	10.5%	-0.7%
Absolute Return Pools	9.0%	2.6%
Real Return/Oppportunistic Pools	12.5%	6.1%
Short Term Investment Pools	2.0%	-1.3%
Total	100.0%	

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

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 27.3% 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 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 employee 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 projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

MILLINGTON COMMUNITY SCHOOLS
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Sensitivity 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 a single 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
Reporting Unit's proportionate share of the net pension liability	<u>\$ 20,595,232</u>	<u>\$ 14,404,992</u>	<u>\$ 9,272,877</u>

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit'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:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 1,706,497</u>	<u>\$ 918,370</u>	<u>\$ 249,531</u>

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit'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:

	Other Postemployment Benefit		
	1% Decrease	Current	1% Increase
		Healthcare Cost Trend Rates	
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 223,524</u>	<u>\$ 918,370</u>	<u>\$ 1,700,155</u>

Pension and OPEB Plan Fiduciary Net Position

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

Payable to Pension and OPEB Plan

At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL).

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 9 – COMMITMENTS AND CONTINGENCIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any of expenditures that may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any, would be immaterial.

NOTE 10 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees' and natural disasters. With regard to injuries to employees, the District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions. No settlements have occurred in excess of coverage for this fiscal year or any of the prior three years.

NOTE 11 – TRANSFERS:

There were no transfers as of June 30, 2022.

NOTE 12 – SUBSEQUENT EVENT:

Subsequent to year end, the District has approved borrowing \$1,500,000 for fiscal year 2023 to replace the notes payable as described in Note 5.

NOTE 13 – TAX ABATEMENTS:

The District is required to disclose significant tax abatements as required by GASB Statement 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax Exemptions granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
Millington Township	\$ 2,744
Total	<u>\$ 2,744</u>

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 14 – UPCOMING ACCOUNTING PRONOUNCEMENT:

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 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.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE:

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the District's financial statement after the adoption of GASB Statement 87.

REQUIRED SUPPLEMENTARY INFORMATION

MILLINGTON COMMUNITY SCHOOLS
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>VARIANCE WITH FINAL BUDGET</u>
REVENUES				
Local sources				
Taxes	\$ 793,035	\$ 782,573	\$ 796,075	\$ 13,502
Charges for services	72,500	80,000	105,939	25,939
Other	28,500	32,500	59,648	27,148
State sources	10,245,236	10,847,782	10,825,483	(22,299)
Federal sources	667,008	2,108,860	1,723,350	(385,510)
Other transactions:				
Transfers from other districts	145,933	145,993	195,135	49,142
TOTAL REVENUES	<u>11,952,212</u>	<u>13,997,708</u>	<u>13,705,630</u>	<u>(292,078)</u>
EXPENDITURES				
Instruction:				
Basic programs	5,989,220	6,857,020	6,268,534	588,486
Added needs	1,666,333	1,799,401	1,653,646	145,755
Total instruction	<u>7,655,553</u>	<u>8,656,421</u>	<u>7,922,180</u>	<u>734,241</u>
Supporting services:				
Pupil	521,328	557,101	514,616	42,485
Instructional Staff	42,475	262,768	161,520	101,248
General administration	251,652	251,652	203,320	48,332
School administration	754,005	766,666	765,535	1,131
Business services	385,200	384,944	387,815	(2,871)
Operations and maintenance	1,118,584	1,266,272	1,159,533	106,739
Pupil transportation	721,584	905,308	814,978	90,330
Central services	289,060	425,477	359,816	65,661
Athletic activities	295,645	343,145	341,832	1,313
Total supporting services	<u>4,379,533</u>	<u>5,163,333</u>	<u>4,708,965</u>	<u>454,368</u>
Community services	25,058	45,271	17,107	28,164
Debt service				
Redemption of long term debt	-	114,449	95,343	19,106
Interest on long term debt	-	4,456	4,414	42
Total debt service	<u>-</u>	<u>118,905</u>	<u>99,757</u>	<u>19,148</u>
TOTAL EXPENDITURES	<u>12,060,144</u>	<u>13,983,930</u>	<u>12,748,009</u>	<u>1,235,921</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(107,932)</u>	<u>13,778</u>	<u>957,621</u>	<u>943,843</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	2,248	3,106	858
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>2,248</u>	<u>3,106</u>	<u>858</u>
NET CHANGE IN FUND BALANCE	<u>\$ (107,932)</u>	<u>\$ 16,026</u>	<u>960,727</u>	<u>\$ 944,701</u>
FUND BALANCE - BEGINNING OF YEAR			<u>3,237,517</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,198,244</u>	

MILLINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
YEAR ENDED SEPTEMBER 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.06084%	0.06331%	0.06548%	0.06565%	0.06504%	0.06324%	0.06119%	0.06099%
Reporting unit's proportionate share of net pension liability	\$ 14,404,992	\$ 21,749,219	\$ 21,685,228	\$ 19,734,156	\$ 16,853,463	\$ 15,777,441	\$ 14,946,568	\$ 13,432,933
Reporting unit's covered-employee payroll	\$ 5,407,711	\$ 5,492,979	\$ 5,695,861	\$ 5,638,514	\$ 5,487,114	\$ 5,431,411	\$ 5,126,449	\$ 5,348,839
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	266.38%	395.95%	380.72%	349.99%	307.15%	290.49%	291.56%	251.14%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MILLINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
YEAR ENDED JUNE 30)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,039,808	\$ 1,813,987	\$ 1,736,706	\$ 1,760,127	\$ 1,761,442	\$ 1,495,505	\$ 1,353,331	\$ 1,122,980
Contributions in relation to statutorily required contributions	<u>2,039,808</u>	<u>1,813,987</u>	<u>1,736,706</u>	<u>1,760,127</u>	<u>1,761,442</u>	<u>1,495,505</u>	<u>1,353,331</u>	<u>1,122,980</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 5,719,079	\$ 5,328,004	\$ 5,536,347	\$ 5,719,304	\$ 5,596,190	\$ 5,429,976	\$ 5,234,836	\$ 5,200,777
Contributions as a percentage of covered-employee payroll	35.67%	34.05%	31.37%	30.78%	31.48%	27.54%	25.85%	21.59%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MILLINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
YEAR ENDED SEPTEMBER 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.06017%	0.06217%	0.06551%	0.06647%	0.06520%
Reporting unit's proportionate share of net OPEB liability	\$ 918,370	\$ 3,330,437	\$ 4,702,181	\$ 5,283,582	\$ 5,773,920
Reporting unit's covered-employee payroll	\$ 5,407,711	\$ 5,492,979	\$ 5,695,861	\$ 5,638,514	\$ 5,487,114
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	16.98%	60.63%	82.55%	93.71%	105.23%
Plan fiduciary net position as a percentage of total OPEB liability (Non-University Employers)	87.33%	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MILLINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
YEAR ENDED JUNE 30)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 452,306	\$ 430,713	\$ 442,566	\$ 412,191	\$ 437,392
Contributions in relation to statutorily required contributions	<u>452,306</u>	<u>430,713</u>	<u>442,566</u>	<u>412,191</u>	<u>437,392</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered- employee payroll	\$ 5,719,079	\$ 5,328,004	\$ 5,536,347	\$ 5,719,304	\$ 5,596,190
Contributions as a percentage of covered-employee payroll	7.91%	8.08%	7.99%	7.21%	7.82%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022

Pension Information

Benefit changes: There were no changes of benefit terms in 2021.

Changes of assumptions: There were no changes of assumptions in 2021.

OPEB Information

Benefit changes: There were no changes of benefit terms in 2021.

Changes of assumptions: The assumption changes for 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.

ADDITIONAL SUPPLEMENTARY INFORMATION

MILLINGTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2022

	SPECIAL REVENUE		
	FOOD SERVICE	STUDENT/ SCHOOL ACTIVITIES	TOTAL NONMAJOR FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 343,293	\$ 177,997	\$ 521,290
Intergovernmental receivable	6,286		6,286
Due from other funds	24,966		24,966
Deposits receivable	42,000		42,000
TOTAL ASSETS	\$ 416,545	\$ 177,997	\$ 594,542
 <u>LIABILITIES AND FUND BALANCE</u>			
Accounts payable	\$ 5,678	\$ -	\$ 5,678
Salaries and related items	1,036		1,036
Accrued retirement	1,547		1,547
TOTAL LIABILITIES	8,261	-	8,261
 <u>FUND BALANCE</u>			
Fund balances:			
Restricted for:			
Food service	408,284		408,284
Committed for:			
Student/school activities		177,997	177,997
TOTAL FUND BALANCE	408,284	177,997	586,281
TOTAL LIABILITIES AND FUND BALANCE	\$ 416,545	\$ 177,997	\$ 594,542

MILLINGTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NONMAJOR FUND BALANCES
YEAR ENDED JUNE 30, 2022

	<u>SPECIAL REVENUE</u>		<u>TOTAL NONMAJOR FUNDS</u>
	<u>FOOD SERVICE</u>	<u>STUDENT/ SCHOOL ACTIVITIES</u>	
REVENUES			
Local sources			
Charges for services	\$ 37,493	\$ -	\$ 37,493
Student activity income		146,974	146,974
State sources	33,325		33,325
Federal sources	919,161		919,161
	<u>989,979</u>	<u>146,974</u>	<u>1,136,953</u>
TOTAL REVENUES			
EXPENDITURES			
Food services	907,944		907,944
Student/school activities		115,679	115,679
	<u>907,944</u>	<u>115,679</u>	<u>1,023,623</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCE	82,035	31,295	113,330
FUND BALANCE - BEGINNING OF YEAR	<u>326,249</u>	<u>146,702</u>	<u>472,951</u>
FUND BALANCE - END OF YEAR	<u>\$ 408,284</u>	<u>\$ 177,997</u>	<u>\$ 586,281</u>

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
2019 SCHOOL BUILDING AND SITE BONDS
JUNE 30, 2022

The 2019 School Building and Site Bonds were issued in the amount of \$4,785,000 for the purpose of remodeling, constructing additions to, acquiring and installing instructional technology and instruction technology equipment for and making security improvements to school buildings; and developing and improving playgrounds, athletic fields and facilities, parking areas and sites and paying the cost of issuing the bonds.

<u>FISCAL YEAR</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u> <u>MAY 1</u>	<u>RATE</u>	<u>INTEREST</u> <u>NOVEMBER 1</u>	<u>INTEREST</u> <u>MAY 1</u>	<u>TOTAL</u>
2023	\$ 475,000	2%	\$ 67,650	\$ 67,650	\$ 610,300
2024	500,000	2%	62,900	62,900	625,800
2025	520,000	4%	57,900	57,900	635,800
2026	545,000	4%	47,500	47,500	640,000
2027	575,000	4%	36,600	36,600	648,200
2028	610,000	4%	25,100	25,100	660,200
2029	<u>645,000</u>	4%	<u>12,900</u>	<u>12,900</u>	<u>670,800</u>
TOTAL	<u>\$ 3,870,000</u>		<u>\$ 310,550</u>	<u>\$ 310,550</u>	<u>\$ 4,491,100</u>

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2021	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2022
U.S. DEPARTMENT OF AGRICULTURE:									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
Non-cash assistance (donated foods):									
National School Lunch Program Entitlement	10.555	N/A	\$ 43,959	\$ -	\$ -	\$ -	\$ 43,959	\$ 43,959	\$ -
Total Non-cash assistance			<u>43,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,959</u>	<u>43,959</u>	<u>-</u>
Cash assistance:									
COVID-19 National School Lunch Program	10.555	211961	74,132	-	-	-	74,132	74,132	-
COVID-19 National School Lunch Program		220910	23,759	-	-	-	23,759	23,759	-
COVID-19 National School Lunch Program		221961	520,451	-	-	-	520,451	520,451	-
Cash assistance Subtotal			<u>618,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>618,342</u>	<u>618,342</u>	<u>-</u>
Total ALN 10.555			<u>662,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>662,301</u>	<u>662,301</u>	<u>-</u>
COVID-19 School Breakfast Program	10.553	211971	26,201	-	-	-	26,201	26,201	-
COVID-19 School Breakfast Program		221971	196,677	-	-	-	196,677	196,677	-
Total ALN 10.553			<u>222,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,878</u>	<u>222,878</u>	<u>-</u>
COVID-19 Summer Food Service Program for Children	10.559	210904	90,197	56,215	56,215	-	90,197	33,982	-
Total ALN 10.559			<u>90,197</u>	<u>56,215</u>	<u>56,215</u>	<u>-</u>	<u>90,197</u>	<u>33,982</u>	<u>-</u>
Total cash assistance			<u>931,417</u>	<u>56,215</u>	<u>56,215</u>	<u>-</u>	<u>931,417</u>	<u>875,202</u>	<u>-</u>
Total Child Nutrition Cluster			<u>975,376</u>	<u>56,215</u>	<u>56,215</u>	<u>-</u>	<u>975,376</u>	<u>919,161</u>	<u>-</u>
COVID-19 Pandemic EBT Administrative Costs	10.649	210980-2021	614	-	-	-	614	614	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>975,990</u>	<u>56,215</u>	<u>56,215</u>	<u>-</u>	<u>975,990</u>	<u>919,775</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

(Continued)

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2021	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2022
U.S. DEPARTMENT OF EDUCATION:									
Passed through Michigan Dept. of Education:									
Title I Grants to Local Educational Agencies	84.010	211530-2021	\$ 233,456	\$ 10,604	\$ 219,207	\$ -	\$ 17,683	\$ 7,079	\$ -
Title I Grants to Local Educational Agencies		221530-2122	234,227	-	-	-	128,258	171,947	43,689
Total ALN 84.010			<u>467,683</u>	<u>10,604</u>	<u>219,207</u>	<u>-</u>	<u>145,941</u>	<u>179,026</u>	<u>43,689</u>
Supporting Effective Instruction State Grants	84.367	210520-2021	43,864	2,510	43,864	-	2,510	-	-
Supporting Effective Instruction State Grants		220520-2122	42,088	-	-	-	33,062	42,088	9,026
Total ALN 84.367			<u>85,952</u>	<u>2,510</u>	<u>43,864</u>	<u>-</u>	<u>35,572</u>	<u>42,088</u>	<u>9,026</u>
Student Support and Academic Enrichment Program	84.424	210750-2021	19,688	2,262	12,633	-	8,964	6,702	-
Student Support and Academic Enrichment Program		220750-2122	17,045	-	-	-	-	6,620	6,620
Total ALN 84.424			<u>36,733</u>	<u>2,262</u>	<u>12,633</u>	<u>-</u>	<u>8,964</u>	<u>13,322</u>	<u>6,620</u>
Education Stabilization Fund									
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201200-2021	67,561	299	54,724	-	299	-	-
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201201-2122	12,837	-	-	-	-	12,837	12,837
COVID-19 Governor's Emergency Education Relief Fund (GEER II)	84.425C	211202-2122	26,500	-	-	-	26,500	26,500	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	203710-1920	196,926	56,876	196,926	-	56,876	-	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213712-2021	721,338	-	-	115,000	313,472	385,931	187,459
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213722-2122	55,293	-	-	21,955	55,293	33,338	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213742-2122	19,799	-	-	14,807	19,799	4,992	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213762-2022	8,688	-	-	-	8,688	8,688	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U	213713-2122	1,328,404	-	-	-	-	355,715	355,715
Total ALN 84.425			<u>2,437,346</u>	<u>57,175</u>	<u>251,650</u>	<u>151,762</u>	<u>480,927</u>	<u>828,001</u>	<u>556,011</u>
Total Passed Through Michigan Dept. of Education			<u>3,027,714</u>	<u>72,551</u>	<u>527,354</u>	<u>151,762</u>	<u>671,404</u>	<u>1,062,437</u>	<u>615,346</u>
Passed through Tuscola Intermediate School District									
Special Education Cluster									
Special Education Flowthrough	84.027	210450-2021	368,558	254,441	368,558	-	254,441	-	-
Special Education Flowthrough	84.027	220450-2022	376,746	-	-	-	376,746	376,746	-
Total Special Education Cluster			<u>745,304</u>	<u>254,441</u>	<u>368,558</u>	<u>-</u>	<u>631,187</u>	<u>376,746</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,773,018</u>	<u>326,992</u>	<u>895,912</u>	<u>151,762</u>	<u>1,302,591</u>	<u>1,439,183</u>	<u>615,346</u>
U.S. FEDERAL COMMUNICATION COMMISSION:									
Direct Program									
COVID-19 Emergency Connectivity Fund Program	32.009	N/A	132,908	-	-	-	-	131,791	131,791
TOTAL FEDERAL COMMUNICATION COMMISSION			<u>132,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,791</u>	<u>131,791</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,881,916</u>	<u>\$ 383,207</u>	<u>\$ 952,127</u>	<u>\$ 151,762</u>	<u>\$ 2,278,581</u>	<u>\$ 2,490,749</u>	<u>\$ 747,137</u>

The accompanying notes are an integral part of this schedule.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of Millington Community Schools’ under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Millington Community Schools, it is not intended to and does not present the financial position or changes in net position of Millington Community Schools.

The District does not qualify for low-risk auditee status. Management has utilized the NexSys, Cash Management System (CMS), and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

2. Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Reconciliation with Audited Financial Statements- Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2022:

Federal revenue per financial statements:	
General Fund	\$1,723,350
Other nonmajor governmental funds	<u>919,161</u>
Total revenue in fund financial statements	2,642,511
Less prior year adjustments	<u>(151,762)</u>
Expenses reported on the schedule of expenditures of federal awards	<u>\$2,490,749</u>

4. Adjustments – Adjustments were made for ALN 84.425 (\$151,762) for prior year federal expenditures incurred but not reported on the SEFA.



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

To the Board of Education
Millington Community Schools
Millington, MI 48746

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millington Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Millington Community Schools' basic financial statements, and have issued our report thereon dated October 31, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Millington Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

MILLINGTON COMMUNITY SCHOOLS' RESPONSE TO FINDINGS

Governmental Auditing Standards requires the auditor to perform limited procedures on the Millington Community Schools' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Millington Community Schools' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN**

October 31, 2022



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

To the Board of Education
Millington Community Schools
Millington, MI 48746

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Millington Community Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Millington Community Schools' major federal programs for the year ended June 30, 2022. Millington Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Millington Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN**

October 31, 2022

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes _____ None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor’s report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund
84.027	Special Education Cluster

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

Auditee qualified as low-risk auditee? _____ Yes X No

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

Finding 2022-001 – Considered a significant deficiency in internal control over financial reporting and on compliance and other matters.

Criteria:

In order to comply with Michigan Department of Education requirements, the District’s food service fund balance cannot exceed three months of operating expenditures.

Condition:

The District currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during the 2022-2023 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess funds cannot be transferred to the general fund except to the extent of the allowable indirect costs transfer.

Cause:

The District received more funding than anticipated through the seamless summer option meals and was unable to reduce the fund balance before year end.

Effect:

At June 30, 2022, the District’s food service fund balance was greater than three months of expenditures.

Recommendation:

The District should submit and implement a spend down plan for the 2022-2023 school year that will adequately reduce the food service fund balance to an acceptable level in accordance with MDE guidelines.

District’s Response:

The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Section III – Federal Award Findings and Questioned Costs

None



Stephen Bouvy, Superintendent

**MILLINGTON COMMUNITY SCHOOLS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2022**

Millington Community Schools respectfully submits the following corrective action plan for the year ended June 30, 2022.

Auditor: Anderson, Tuckey, Bernhardt & Doran, PC
715 E Frank St
Caro, MI 48723

Audit Period: Year ended June 30, 2022

District Contact Person: Stephen Bouvy, Superintendent

The finding from the June 30, 2022 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Finding – Financial statement finding

Finding 2022-001 – Considered a significant deficiency in internal control over financial reporting and on compliance and other matters.

Recommendation: The District should submit and implement a spend down plan for the 2022-2023 school year that will adequately reduce the food service fund balance to an acceptable level in accordance with MDE guidelines.

Action to be taken: The District concurs with the finding and is in the process of developing a plan to spend down the food service fund balance to an acceptable level in accordance with MDE guidelines.

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

Financial Statement Finding

Finding 2021-001 – Considered a material weakness
Finding 2020-001 – Considered a significant deficiency

Criteria:

Professional standards requires auditors to evaluate entries posted subsequent to year-end and assess whether the entries are period-end closing, cut-off entries, or entries that should have been recorded throughout the year.

Condition:

Adjustments were made to the general ledger subsequent to year-end, which resulted in several changes to the final trial balances. Timely review and reconciliation of accounts was not consistently performed during the year.

Context:

Adjustments that were identified during the audit, either by management or as a result of audit procedures, impacted expenditures, revenues, assets, and liabilities within the governmental funds. These adjustments were corrected by management and are reflected in the financial statements.

Cause:

The majority of adjustments and corrections proposed resulted from lack of timely review of account reconciliations.

Effect:

Audit adjustments were required to reconcile certain accounts.

Recommendation:

General ledger accounts should be reconciled on a regular basis in order to present accurate financial statements to management and the Board of Education.

Client Response:

We will review our year-end entry procedures and work to make sure accounts are reconciled throughout the year.

Status:

As of fiscal year end June 30, 2022, we consider this issue resolved.

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

Financial Statement Finding

Finding 2021-002 – Considered a material weakness

Criteria:

The District has overall financial responsibility to properly record transactions and provide accurate financial reporting by completing monthly bank reconciliations in a timely manner.

Condition:

The District's internal controls are weakened due to lack of timely bank reconciliations.

Effect:

Account balances may be significantly influenced by the lack of timely bank reconciliations.

Cause:

The District did not prepare some of the monthly bank reconciliations until after fiscal year end.

Recommendation:

The District should review and evaluate transactions and formalize monthly closing procedures and preparation of monthly bank reconciliations. The District should prepare bank reconciliations for all bank accounts that tie back to the general ledger. Bank reconciliations should be reviewed and signed off on by someone other than the person performing the reconciliation.

Client Response:

The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Status:

As of fiscal year end June 30, 2022, we consider this issue resolved.

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

Federal Award Findings and Questioned Costs

Finding 2021-003 – Considered a significant deficiency

<u>Federal Program:</u>	Child Nutrition Cluster
<u>CFDA #:</u>	10.555 and 10.559
<u>Federal Agency:</u>	U.S. Department of Agriculture
<u>Pass-through entity:</u>	Michigan Department of Education
<u>Pass-through number:</u>	200902, 210904, 200900

Criteria:

The District's fund balance in the food service fund is required to be less than three months of food service expenditures.

Condition:

The District currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during the 2021-2022 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess fund balance cannot be transferred to the general fund.

Questioned Costs:

None

Cause:

The District participated in the unanticipated closure meal reimbursement program causing a larger than normal increase in the food service fund balance.

Effect:

At June 30, 2021, the District's food service fund balance was greater than three months of expenditures.

Recommendation:

The District should implement a budget, as well as the required corrective action plan, for the 2021-2022 school year that will adequately reduce the food service fund balance.

District's Response:

The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Status:

As of fiscal year end June 30, 2022, this finding continues as Finding 2022-001.

**MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

Financial Statement Finding

Finding 2020-002 – Considered a significant deficiency

Criteria:

Compliance with the Uniform Budgeting and Accounting Act. MCL (Michigan Compile Laws) 141.437 states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues an amendment should be adopted to prevent expenditures from exceeding available revenues including prior year fund balance.

Condition:

The District's budget reflects estimated revenues higher than actual and budgeted expenditures less than actual. In addition, budgets for all applicable funds are required to be adopted prior to the beginning of the fiscal year.

Effect:

At June 30, 2020, the District's final budget anticipated an increase of \$440,392. The actual result was the district increased fund balance by \$251,372. This created a negative budget to actual variance of \$189,020. Additionally, an original budget for the 2021 fiscal year for food service fund and the student/school activities fund was not adopted before the start of the fiscal year.

Cause:

The primary reason was not properly budgeting revenues and expenditures and not adopting budgets for all the necessary funds prior to the start of the new fiscal year. In addition, there was a revenue funding adjustment made by the state after the final budget amendments were passed in June 2020 reducing unrestricted state aid revenue by \$175 per pupil for the year ended June 30, 2020. This adjustment resulted in the District receiving \$202,970 less in state funding than anticipated by the District at the time the final budget amendment was approved.

Recommendation:

The District should implement budgeting procedures to budget more conservatively for revenues and expenditures. In addition, all required budgets should be formally approved by the Board for the upcoming fiscal year prior to the start of the fiscal year. The District should also implement procedures to schedule emergency board meetings for budget amendments (if necessary).

Client Response:

The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Status:

As of fiscal year end June 30, 2021, we consider this issue resolved.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Thomas B. Doran, CPA
Valerie J. Hartel, CPA

Jamie L. Peasley, CPA
Angela M. Burnette, CPA

Chelsie M. Peruski, CPA

Kendra K. Bednarski, CPA

To the Members of the Board
Millington Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Millington Community Schools** for the year ended **June 30, 2022**. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by **Millington Community Schools** are described in Note 1 to the financial statements. As described in Note 15 to the financial statements, **Millington Community Schools** implemented Governmental Accounting Standards Board No. 87, *Leases*. The application of existing policies did not change during the year. We noted no transactions entered into by **Millington Community Schools** during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We have evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Members of the Board and management of **Millington Community Schools** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants
Caro, Michigan
October 31, 2022