

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
ESSEXVILLE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2022



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 10, 2022

Board of Education
Essexville-Hampton Public Schools
Essexville, Michigan

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; 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.



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Essexville-Hampton Public 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 Essexville-Hampton Public 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.



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Required Supplementary Information

U.S. generally accepted accounting principles requires that the management's discussion and analysis, budgetary comparison information and pension and OPEB schedules, as noted in the table of contents to 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining non-major fund financial statements, schedules of bonded indebtedness and schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 for 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 GAAS. In our opinion, the combining non-major fund financial statements, schedules of bonded indebtedness and 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 10, 2022, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Weinlander Fitzhugh



This section of the 2022 annual financial report presents our discussion and analysis of Essexville-Hampton Public Schools' financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with Essexville-Hampton Public Schools' financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Essexville-Hampton Public Schools (School District or Essexville-Hampton) financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The *Governmental Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements, by providing information about the School District's most significant funds, the General Fund and the Capital Projects Fund – Sinking Fund, with all other funds presented in one column as nonmajor funds.

Financial Section

- Financial Statements
 - Government-Wide Financial Statements
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 - Notes to Financial Statements
- Required Supplementary Information
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District-Wide Financial Statements

One of the most important questions asked about the School District is, “As a whole, what is Essexville-Hampton Public Schools’ financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report Essexville-Hampton Public Schools’ net position – the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, Essexville-Hampton’s goal is to provide quality educational services to our students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must be considered to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for Essexville-Hampton Public Schools, which encompass all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Fund Financial Statements

Essexville-Hampton Public Schools’ fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, Essexville-Hampton Public Schools establishes many other funds to help control and manage money for particular purposes, such as the food services and community education funds. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District’s services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the School District’s programs.



Essexville-Hampton Public Schools

Management's Discussion and Analysis

The School District

The statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30.

	June 30,	
	<u>2021</u>	<u>2022</u>
Assets		
Current assets	\$6,201,796	\$7,134,000
Capital assets	30,000,059	30,797,033
Less: accumulated depreciation	<u>(16,596,442)</u>	<u>(17,130,420)</u>
Capital assets, net book value	<u>13,403,617</u>	<u>13,666,613</u>
Total assets	19,605,413	20,800,613
Deferred Outflows of Resources	7,720,582	5,964,121
Liabilities		
Current liabilities	2,727,609	2,862,365
Noncurrent liabilities	4,106,219	4,213,322
Net pension and OPEB obligations	<u>32,519,422</u>	<u>20,818,785</u>
Total liabilities	39,353,250	27,894,472
Deferred Inflows of Resources	5,795,701	13,571,152
Net Position		
Invested in capital assets, net of related debt	9,778,617	9,976,309
Restricted for food service	236,893	289,151
Restricted for capital projects	294,689	785,827
Restricted for debt service	51,235	93,184
Restricted for community education	49,938	293,857
Unrestricted (Deficit)	<u>(28,234,334)</u>	<u>(26,139,218)</u>
Total net position	<u>(17,822,962)</u>	<u>(14,700,890)</u>



The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$(14,700,890) at June 30, 2022 compared to \$(17,822,962) at June 30, 2021. Capital assets, net of related debt, totaled \$13,666,613 at June 30, 2022 compared to \$9,778,617 at June 30, 2021. This compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position of \$93,184 at June 30, 2022 and \$51,235 at June 30, 2021 are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations.

Unrestricted net position (deficit) were \$(26,139,218) at June 30, 2022 and \$(28,234,334) at June 30, 2021. Unrestricted net position of governmental activities represent the accumulated results of all past years' operations. This year also includes the School District's share of the state pension and other postemployment benefit liabilities of \$20,818,785. The School District's operations are not in deficit; however, accounting standards require this entry, which skews the true financial health of the School District.

The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year-to-year. The results of this year's operations for Essexville-Hampton Public Schools as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position. As reported in the statement of activities, the cost of all governmental activities for 2022 was \$17,118,080. Certain activities were partially funded from those who benefited from the programs (\$950,924 in 2022) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,335,836 in 2022). The remaining "public benefit" portion of governmental activities was funded with \$2,946,915 in taxes in 2022, \$11,630,143 in State foundation allowance in 2022, and with other revenues, such as interest and general entitlements. Essexville-Hampton Public Schools experienced an increase in net position of \$3,122,072 in 2022. The net position increased primarily as a result of ongoing operations in the School District.

Management's Discussion and Analysis

(Table 2) Statement of Activities

	June 30,	
	2021	2022
Revenues		
Program revenues:		
Charges for services	\$ 204,844	\$ 950,924
Operating grants	4,125,616	4,335,836
General revenues:		
Property taxes	2,958,373	2,946,915
State foundation allowance	11,856,520	11,630,143
Other	777,078	376,334
Total revenues	19,922,431	20,240,152
Functions/program activities		
Instruction	\$ 10,890,115	9,929,217
Supporting services	5,702,240	4,662,159
Food services	599,444	844,727
Community services	215,026	303,699
Athletics, Student Activities and Other	633,666	814,053
Interest on long-term debt	113,490	58,254
Depreciation (unallocated)	638,962	750,971
Total governmental activities	18,792,943	17,118,080
Increase (decrease) in net position	\$ 1,129,488	\$ 3,122,072

As discussed above, the net cost (program revenues less expenses) shows the financial burden that was placed on the State and Essexville-Hampton Public Schools' taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District general revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted revenues.



The School District's Funds

As noted earlier, Essexville-Hampton Public Schools use funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being held accountable for the resources taxpayers and others provide to it and may give more insight into the School District's overall financial health.

As the School District completed the 2022 school year, the governmental funds reported a combined fund balance of \$4,278,236 an increase of \$794,755 from the prior year. The changes by major and non-major funds are as follows:

	Beginning Fund Balance	Increase (Decrease)	Ending Fund Balance
General Fund	2,508,964	(161,957)	2,347,007
Other Funds	974,518	956,712	1,931,229

In the General Fund, our principal operating fund, the fund balance decreased by \$161,957 from last year. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes.

In total, the other funds increased by \$956,712. Food service fund balance increased \$116,151; community education increased \$243,919; student/school activities increased \$66,254; sinking fund increased by \$491,138 and debt service increased \$39,250. In the prior year, the other fund balances had experienced an increase of \$866,836.

General Fund Budgetary Highlights

Over the course of the year, Essexville-Hampton Public Schools revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in May. A schedule showing the General Fund's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements. There were revisions made to the 2021-2022 General Fund original budget in December 2021 and May 2022. Budgeted revenues increased \$792,761 from the original to the final budget. Budgeted expenditures were increased by \$1,129,638 to account for the changes in the general operating plan of the School District. There was one significant variance between the final budget amounts and actual due to ESSER II fund expenses.



Capital Asset and Debt Administration

Capital Assets

At June 30, 2022, the School District had \$30,797,033 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents an increase (including additions and deductions) of \$796,974 or 2.66% from last year.

	<u>June 30, 2022</u>
Land and land improvements	2,092,048
Buildings and building improvements	22,775,207
Right to Use – Leased Equipment	527,406
Furniture and equipment	5,402,372
Total capital assets	<u><u>30,797,033</u></u>

The sinking fund levy began in the 2019-20 school year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, Essexville-Hampton Public Schools had \$3,250,000 in bonds outstanding versus \$3,625,000 in the previous year. Other obligations include compensated absences, capital leases, and an installment purchase agreement. We present more detailed information about our long-term liabilities in the notes to the financial statements.



Capital Asset and Debt Administration

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2023 fiscal year budget. The 2022-23 budget was adopted without knowledge of student count data and specific state funding. Subsequent to our budget approval a new State Aid bill was signed into law. Approximately 95% of total General Fund revenue is from the foundation allowance and property taxes. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues. If actual State revenues are less than their estimates, reduction to the per-pupil funding allowance may be necessary. The School District's unassigned General Fund balance of \$2,347,007 is available to help meet any unanticipated shortfalls the State may experience in the School Aid Fund.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Essexville-Hampton Public Schools
303 Pine St.
Essexville, MI 48732

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 4,318,611
Receivables - net:	
Due from other governmental units	2,738,396
Prepaid expenses	63,100
Inventory	13,893
Capital assets less accumulated depreciation/amortization \$17,130,420	<u>13,666,613</u>
Total assets	<u>20,800,613</u>
 <u>Deferred Outflows of Resources</u>	
Related to pensions	4,109,978
Related to OPEB	<u>1,854,143</u>
Total deferred outflows of resources	<u>5,964,121</u>
 <u>Liabilities</u>	
Accounts payable	77,821
Accrued payroll and other liabilities	1,717,198
State aid anticipation note payable	1,001,800
Accrued interest payable	6,601
Unearned revenue	58,945
Long-term liabilities:	
Due within one year	460,571
Due in more than one year	3,752,751
Net pension liability	19,528,389
Net OPEB liability	<u>1,290,396</u>
Total liabilities	<u>27,894,472</u>
 <u>Deferred Inflows of Resources</u>	
Related to pensions	8,388,277
Related to OPEB	<u>5,182,875</u>
Total deferred inflows of resources	<u>13,571,152</u>
 <u>Net Position</u>	
Net investment in capital assets	9,976,309
Restricted for debt service	93,184
Restricted for capital projects	785,827
Restricted for community education	293,857
Restricted for food service	289,151
Unrestricted	<u>(26,139,218)</u>
Total net position	<u>\$ (14,700,890)</u>

See accompanying notes to financial statements.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2022

		Program Revenues		Governmental
				Activities
				Net (Expense)
				Revenue and
				Changes in Net
				Position
	Expenses	Charges for	Operating	
		Services	Grants/	
			Contributions	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 9,929,217	\$ 0	\$ 2,571,170	\$ (7,358,047)
Support services	4,462,159	0	916,512	(3,545,647)
Community services	303,699	331,985	0	28,286
Food services	844,727	24,484	848,154	27,911
Athletics	288,855	60,578	0	(228,277)
Capital outlay	57,575	0	0	(57,575)
Student/school activities	467,623	533,877	0	66,254
Interest on long-term debt	58,254	0	0	(58,254)
Depreciation/amortization	705,971	0	0	(705,971)
Total governmental activities	<u>\$ 17,118,080</u>	<u>\$ 950,924</u>	<u>\$ 4,335,836</u>	<u>(11,831,320)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,678,705
Property taxes, levied for capital projects				791,549
Property taxes, levied for debt services				476,661
State aid				11,630,143
Interest and investment earnings				906
Other				375,428
Total general revenues				<u>14,953,392</u>
Change in net position				3,122,072
Net position - beginning of year				<u>(17,822,962)</u>
Net position - end of year				<u>\$ (14,700,890)</u>

See accompanying notes to financial statements.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2022

	General	Capital Projects Fund - Sinking Fund	Other Nonmajor Governmental Funds	Total
<u>Assets</u>				
Cash and investments	\$ 2,487,553	\$ 785,827	\$ 1,045,231	\$ 4,318,611
Receivables - net:				
Due from other funds	0	0	73,240	73,240
Due from other governmental units	2,737,186	0	1,210	2,738,396
Prepaid expenditures	13,100	0	50,000	63,100
Inventory	0	0	13,893	13,893
	<u>0</u>	<u>0</u>	<u>13,893</u>	<u>13,893</u>
Total assets	<u>\$ 5,237,839</u>	<u>\$ 785,827</u>	<u>\$ 1,183,574</u>	<u>\$ 7,207,240</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 64,116	\$ 0	\$ 13,705	\$ 77,821
Due to other funds	64,969	0	8,271	73,240
Accrued payroll and other liabilities	1,717,198	0	0	1,717,198
State aid anticipation note payable	1,001,800	0	0	1,001,800
Unearned revenue	42,749	0	16,196	58,945
	<u>2,890,832</u>	<u>0</u>	<u>38,172</u>	<u>2,929,004</u>
Total liabilities	<u>2,890,832</u>	<u>0</u>	<u>38,172</u>	<u>2,929,004</u>
<u>Fund Balance</u>				
Nonspendable - inventory	0	0	13,893	13,893
Nonspendable - prepaid	13,100	0	50,000	63,100
Restricted for debt service	0	0	99,785	99,785
Restricted for capital projects	0	785,827	0	785,827
Restricted for community education	0	0	293,857	293,857
Restricted for food service	0	0	289,151	289,151
Committed for student/school activities	0	0	398,716	398,716
Unassigned	2,333,907	0	0	2,333,907
	<u>2,347,007</u>	<u>785,827</u>	<u>1,145,402</u>	<u>4,278,236</u>
Total fund balance	<u>2,347,007</u>	<u>785,827</u>	<u>1,145,402</u>	<u>4,278,236</u>
Total liabilities and fund balance	<u>\$ 5,237,839</u>	<u>\$ 785,827</u>	<u>\$ 1,183,574</u>	<u>\$ 7,207,240</u>

See accompanying notes to financial statements.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022

Total fund balance - governmental funds \$ 4,278,236

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

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

Cost of the capital assets	30,797,033
Accumulated depreciation/amortization	(17,130,420)

Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:

Related to pensions	4,109,978
Related to OPEB	1,854,143

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

Bonds payable	(3,250,000)
Compensated absences	(523,018)
Net pension liability	(19,528,389)
Net OPEB liability	(1,290,396)
Direct borrowing and direct placement - leases	(440,304)

Accrued interest payable is included as a liability in governmental activities	(6,601)
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Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:

Related to pensions	(8,388,277)
Related to OPEB	(5,182,875)

Total net position - governmental activities	<u>\$ (14,700,890)</u>
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See accompanying notes to financial statements.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2022

	General	Capital Projects Fund - Sinking Fund	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>				
Local sources	\$ 1,871,331	\$ 791,649	\$ 1,459,185	\$ 4,122,165
State sources	14,176,247	0	20,500	14,196,747
Federal sources	993,063	0	1,073,372	2,066,435
Interdistrict and other sources	144,690	0	300	144,990
Total revenues	17,185,331	791,649	2,553,357	20,530,337
<u>Expenditures</u>				
Current:				
Instruction	10,996,780	0	0	10,996,780
Support services	6,501,541	0	1,488	6,503,029
Community services	1,616	0	302,083	303,699
Athletics	288,855	0	0	288,855
Capital outlay	23,800	298,154	0	321,954
Food services	0	0	855,635	855,635
Business services	0	2,357	0	2,357
Student/school activities	0	0	467,623	467,623
Debt service:				
Principal	87,102	0	375,000	462,102
Interest and other	0	0	60,954	60,954
Total expenditures	17,899,694	300,511	2,062,783	20,262,988
Excess (deficiency) of revenues over expenditures	(714,363)	491,138	490,574	267,349
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	25,000	0	0	25,000
Operating transfers out	0	0	(25,000)	(25,000)
Lease proceeds	527,406	0	0	527,406
Total other financing sources (uses)	552,406	0	(25,000)	527,406
Net change in fund balance	(161,957)	491,138	465,574	794,755
Fund balance - beginning of year	2,508,964	294,689	679,828	3,483,481
Fund balance - end of year	\$ 2,347,007	\$ 785,827	\$ 1,145,402	\$ 4,278,236

See accompanying notes to financial statements.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balance - total governmental funds	\$	794,755
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Amounts reported for governmental activities in the statements of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation/amortization		
Depreciation/amortization expense		(705,971)
Capital outlay		968,967

The issuance of long-term debt (e.g. bonds) 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 as follows:

Repayment of bonds		375,000
Proceeds from leases		(527,406)
Repayment on leases		87,102

Increases in compensated absences are reported as a decrease in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6		(41,799)
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Decreases in accrued interest are reported as a reduction in expenditures on the Statement of Activities		2,700
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Some revenue and 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		
Pension related items		768,002
OPEB related items		1,400,722

Change in net position of governmental activities	\$	<u>3,122,072</u>
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See accompanying notes to financial statements.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Essexville-Hampton Public Schools (the "School District") conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

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

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

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Amounts reported as program revenue include; (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue 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.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Capital Projects Fund - Sinking Fund - The Sinking Fund is used to account for the recording of transactions relative to capital improvements of the School District.

Assets, Liabilities, and Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Inventory and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Right to use assets of the School District are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	7-50 years
Land improvements	20 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

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

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 benefits expense, information about the fiduciary net position of the Michigan Public School Employees Retirement Systems (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.

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Leases - Lessee: The School District is a lessee for a noncancelable lease of equipment. The School District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Deferred Outflows and Inflows of Resources

Deferred Outflows - 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. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and other postemployment benefits contributions made after the measurement date. This amount will reduce the net pension and other postemployment benefits liability in the following year.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows - 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. For district-wide financial statements, the School District reports deferred inflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period.

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

Property Taxes - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

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

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2021 - August 2022. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2022 relating to state aid is \$2,563,511.

The School 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 categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Essexville-Hampton Public Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

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

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund are noted in the required supplementary information section.

NOTE 3 - CASH AND INVESTMENTS

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

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS

Notes to Financial Statements For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

2. 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.
3. 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.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. 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.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government
Cash and cash equivalents	\$ 4,318,611

As of June 30, 2022 the School 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 School District's deposits may not be returned to it. As of June 30, 2022, \$4,143,718 of the School District's bank balance of \$4,516,736 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The School 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 School District will do business.

Interest rate risk. In accordance with its investment policy, the School 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 School District's cash requirements.

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
MILAF External Investment Pool - CMC	\$ <u>9,602</u>	N/A

Concentration of credit risk. The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School 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 by credit quality.

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ <u>9,602</u>	AAAm	Standard & Poor's

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

Fair value measurement. The School 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:

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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.

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 School 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 School District does not have any investments subject to the fair value hierarchy.

The School District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the School District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which 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.

	Amortized Cost
MILAF External Investment pool - CMC	<u>\$ 9,602</u>

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.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Assets not being depreciated:				
Land	\$ 195,044	\$ 0	\$ 0	\$ 195,044
Capital assets being depreciated/amortized:				
Buildings and improvements	22,412,352	362,855	0	22,775,207
Land improvements	1,847,480	49,524	0	1,897,004
Buses and other vehicles	387,203	0	(171,993)	215,210
Furniture and equipment	5,157,980	29,182	0	5,187,162
Right to use - leased equipment	0	527,406	0	527,406
Subtotal	29,805,015	968,967	(171,993)	30,601,989
Accumulated depreciation/amortization:				
Buildings and improvements	10,195,592	449,976	0	10,645,568
Land improvements	1,117,317	38,612	0	1,155,929
Buses and other vehicles	304,575	18,651	(171,993)	151,233
Furniture and equipment	4,978,958	22,930	0	5,001,888
Right to use - leased equipment	0	175,802	0	175,802
Subtotal	16,596,442	705,971	(171,993)	17,130,420
Net capital assets being depreciated/amortized	13,208,573	262,996	0	13,471,569
Net capital assets	\$ 13,403,617	\$ 262,996	\$ 0	\$ 13,666,613

Depreciation/amortization expense for fiscal year ended June 30, 2022 was \$705,971. The School District determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2022 are as follows:

		<u>Payables</u>		
		<u>General</u>	<u>School/ Student Activity</u>	<u>Total</u>
Receivables	Food			
	Service	\$ 18,857	\$ 8,271	\$ 27,128
	Community			
	Education	<u>46,112</u>	<u>0</u>	<u>46,112</u>
		<u>\$ 64,969</u>	<u>\$ 8,271</u>	<u>\$ 73,240</u>

A summary of interfund transfers made during the year ended June 30, 2022 are as follows:

		<u>Transfers Out</u>
		<u>Community Education</u>
Transfers In	General	<u>\$ 25,000</u>

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers were used to reimburse the General Fund for expenditures incurred for the Community Education fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2022 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and grants	\$ 2,563,511
Federal grants	119,673
Other local governments	<u>55,212</u>
	<u>\$ 2,738,396</u>

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 7 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$58,945.

NOTE 8 - SHORT-TERM DEBT ACTIVITY

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the School District's cash flow obligation to operating expenses precede the collection of state aid. At June 30, 2022, the School District has issued a state aid anticipation note payable in the amount of \$1,000,000, which has an interest rate of 2.40% and matures on June 2, 2023. The note is secured by the full faith and credit of the School 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:

Beginning Balance	Issued	Redeemed	Ending Balance
\$ 1,000,200	\$ 1,000,000	\$ 998,400	\$ 1,001,800

NOTE 9 - LONG-TERM OBLIGATIONS

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

	Balance June 30, 2021	Additions	Retirements and Payments	Balance June 30, 2022	Amount Due Within One Year
General obligation bonds	\$ 3,625,000	\$ 0	\$ 375,000	\$ 3,250,000	\$ 395,000
Compensated absences	481,219	41,799	0	523,018	0
	4,106,219	41,799	375,000	3,773,018	395,000
Direct borrowing and direct placement:					
Leases	0	527,406	87,102	440,304	65,571
	\$ 4,106,219	\$ 569,205	\$ 462,102	\$ 4,213,322	\$ 460,571

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

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

General obligation bonds:

\$3,300,000 2021 bond refunding of 2015 School Building & Site bonds due in annual installments of \$50,000 to \$425,000 through May 1, 2030; interest at 0.345% to 1.830%	<u>\$ 3,250,000</u>
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Notes from direct borrowings and direct placements:

July 15, 2021, Government Obligation Contract for lease of 6 buses due in annual installments of \$87,102 to \$320,917 through July 15, 2024, with interest at 4.89%.	<u>\$ 440,304</u>
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The School District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$440,304 contain a provision that in the event of default, either by (1) failure or inability to pay any contract payment, (2) failure to observe and perform any warranty, covenant, condition, promise or duty on the contract, (3) any statement, material omission, representation or warranty made which proves to be false, incorrect or misleading which materially adversely affects the rights or security under the contract, (4) any provision of the contract ceases to be valid and the loss of such provision would materially adversely affect the rights or security of the obligee, (5) default on one or more other obligations, or (6) the School District becomes insolvent. Upon the occurrence of any default event, the outstanding amounts, including accrued interest, become immediately due and payable.

Compensated absences include unused sick pay and vacation pay. Unused sick pay is calculated using the termination payoff rates of \$35-\$200 for eligible employees times the number of unused days (maximums of \$19,000-\$25,000). Eligible employees you must must have 10-20 or more years of service, not on a District Enhancement Incentive, and upon receipt of a letter of retirement, elect a Board-paid retirement payment through a district special pay plan. At June 30, 2022, the amount of \$523,018 has been recorded in the district-wide financial statements.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

The annual debt service requirements on long-term debt as of June 30, 2022, including interest payments are as follows:

Year Ended June 30	General Obligation Bonds			Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 395,000	\$ 39,312	\$ 434,312	\$ 65,571	\$ 21,531	\$ 87,102
2024	395,000	37,870	432,870	68,778	18,324	87,102
2025	400,000	35,531	435,531	305,955	14,961	320,916
2026	400,000	32,243	432,243	0	0	0
2027	410,000	27,355	437,355	0	0	0
2028 - 2031	1,250,000	44,403	1,294,403	0	0	0
	<u>\$ 3,250,000</u>	<u>\$ 216,714</u>	<u>\$ 3,466,714</u>	<u>\$ 440,304</u>	<u>\$ 54,816</u>	<u>\$ 495,120</u>

NOTE 10 - RISK MANAGEMENT

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

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

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) 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 Comprehensive Annual 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%.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they 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 thereafter would include a 1.25% pension factor.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS

Notes to Financial Statements For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS **(CONTINUED)**

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 worked 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.

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, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 contribution 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 included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS

Notes to Financial Statements For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS **(CONTINUED)**

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 stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

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

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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.

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.

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

	<u>Pension</u>	<u>Other postemployment benefit</u>
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The School District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$2,988,000. Of the total pension contributions approximately \$2,880,000 was contributed to fund the Defined Benefit Plan and approximately \$108,000 was contributed to fund the Defined Contribution Plan.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

The School District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$650,000. Of the total OPEB contributions approximately \$643,000 was contributed to fund the Defined Benefit Plan and approximately \$7,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefits, 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 School 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.

MPSERS (Plan) Non-University Employers:	September 30, 2021	September 30, 2020
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	\$ 34,351,087,794
Proportionate share	0.08248 %	0.08219 %
Net Pension liability for the School District	\$ 19,528,389	\$ 28,232,345

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

For the year ended June 30, 2022, the School District recognized pension expense of approximately \$678,000.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 302,503	\$ (114,999)
Net difference between projected and actual earnings on pension plan investments	0	(6,278,314)
Changes in assumptions	1,231,000	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	68,716	(665,016)
Unearned revenue related to pension portion of Section 147c	0	(1,329,948)
School District's contributions subsequent to the measurement date	<u>2,507,759</u>	<u>0</u>
Total	<u>\$ 4,109,978</u>	<u>\$ (8,388,277)</u>

\$2,507,759, reported as deferred outflows of resources related to pensions resulting from School 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:

Year Ended June 30	<u>Amount</u>
2023	\$ (814,545)
2024	(1,332,368)
2025	(1,620,253)
2026	(1,688,944)
	<u>\$ (5,456,110)</u>

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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 School 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.

MPERS (Plan) Non-University Employers:	September 30, 2021	September 30, 2020
Total OPEB Liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan Fiduciary Net Position	\$ 10,520,015,621	\$ 7,849,636,555
Net OPEB Liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.08454 %	0.08002 %
Net OPEB liability for the School District	\$ 1,290,396	\$ 4,287,077

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

For the year ended June 30, 2022, the School District recognized OPEB expense of approximately \$(767,000).

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

At June 30, 2022, the School 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>
Difference between expected and actual experience	\$ 0	\$ (3,683,344)
Net difference between projected and actual plan investments	0	(972,595)
Changes in assumption	1,078,707	(161,415)
Changes in proportion and differences between employer contributions and proportionate share of contributions	294,619	(365,521)
School District's contributions subsequent to the measurement date	<u>480,817</u>	<u>0</u>
Total	<u><u>\$ 1,854,143</u></u>	<u><u>\$ (5,182,875)</u></u>

\$480,817, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2023	\$ (1,016,390)
2024	(931,998)
2025	(848,672)
2026	(778,243)
2027	(207,078)
Thereafter	(27,168)
	<u><u>\$ (3,809,549)</u></u>

Actuarial Assumptions

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

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

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

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

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 the 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 plan and OPEB 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% for year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

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

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

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

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

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

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

*Long term rate of return 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 amount actually invested.

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

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS

Notes to Financial Statements For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS **(CONTINUED)**

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.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the School 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 School 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		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability	<u>\$27,920,301</u>	<u>\$19,528,389</u>	<u>\$12,570,944</u>

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the School District's proportionate share of the net OPEB liability calculated using the 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		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	<u>\$2,397,789</u>	<u>\$1,290,396</u>	<u>\$350,615</u>

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS

Notes to Financial Statements For the Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS **(CONTINUED)**

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.0%), as well as what the School District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Current Healthcare cost trend rates	1% Increase
School District's proportionate share of the net OPEB liability	<u>\$314,072</u>	<u>\$1,290,396</u>	<u>\$2,388,879</u>

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2021 valuation.

Payable to the 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 included in the financial statements as a liability titled accrued payroll and payroll liabilities. 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 the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

NOTE 12 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 13 - ECONOMIC DEPENDENCY

The School District received approximately 80% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NOTE 14 - BOND AND SINKING FUND COMPLIANCE

The School District passed in 2019 a sinking fund levy at 3 mills for a ten year period from 2020-2029. The activity related to the sinking fund is recorded in the Capital Projects Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2022.

For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

NOTE 15 - TAX ABATEMENTS

Effective for the year ended June 30, 2017 the School District is required to disclose significant tax abatements as required by GASB statement 77 (Tax abatements).

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, Commercial Rehabilitation Exemptions and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; Commercial Rehabilitation Exemptions provide tax incentives to businesses to enable renovation and expansion of qualified facilities and qualified retail food establishments; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
City of Essexville	\$ 4,002
Hampton Township	36,312
	<u>\$ 40,314</u>

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

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the School 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.

NOTE 17 - 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 School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 1,855,398	\$ 1,855,398	\$ 1,871,331	\$ 15,933
State sources	14,109,437	14,185,167	14,176,247	(8,920)
Federal sources	372,546	985,593	993,063	7,470
Interdistrict and other sources	90,000	193,984	144,690	(49,294)
Total revenues	<u>16,427,381</u>	<u>17,220,142</u>	<u>17,185,331</u>	<u>(34,811)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	8,600,900	9,187,681	9,153,450	34,231
Added needs	1,811,587	1,955,267	1,843,330	111,937
Support services:				
Pupil	429,536	461,713	457,557	4,156
Instructional staff	673,885	495,586	534,089	(38,503)
General administrative	355,573	404,618	402,857	1,761
School administrative	1,256,073	1,287,599	1,216,553	71,046
Business services	218,430	260,784	254,111	6,673
Operations and maintenance	1,819,892	2,075,432	2,076,471	(1,039)
Transportation	476,552	502,564	889,808	(387,244)
Information services	533,206	649,989	669,218	(19,229)
Support other	15,000	38,800	877	37,923
Community services	4,007	1,631	1,616	15
Athletics	275,000	277,615	288,855	(11,240)
Capital outlay	0	0	23,800	(23,800)
Debt service	0	0	87,102	(87,102)
Total expenditures	<u>16,469,641</u>	<u>17,599,279</u>	<u>17,899,694</u>	<u>(300,415)</u>
Excess (deficiency) of revenues over expenditures	(42,260)	(379,137)	(714,363)	(335,226)
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	0	0	25,000	(25,000)
Lease proceeds	0	0	527,406	527,406
Net change in fund balance	(42,260)	(379,137)	(161,957)	167,180
Fund balance - beginning of year	<u>2,508,964</u>	<u>2,508,964</u>	<u>2,508,964</u>	<u>0</u>
Fund balance - end of year	<u>\$ 2,466,704</u>	<u>\$ 2,129,827</u>	<u>\$ 2,347,007</u>	<u>\$ 217,180</u>

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<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 (%)	0.08248 %	0.08219 %	0.08599 %	0.08645 %	0.08676 %	0.08987 %	0.09202 %	0.09760 %
Reporting unit's proportionate share of net pension liability	\$ 19,528,389	\$ 28,232,345	\$ 28,475,560	\$ 25,989,152	\$ 22,483,238	\$ 22,421,685	\$ 22,476,210	\$ 21,495,127
Reporting unit's covered-employee payroll*	\$ 7,626,039	\$ 7,086,854	\$ 7,456,692	\$ 7,365,218	\$ 7,163,577	\$ 7,485,828	\$ 7,286,784	\$ 7,857,797
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	39.05104 %	25.10190 %	26.18629 %	28.33959 %	31.86186 %	33.38655 %	32.41999 %	36.55618 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	63.17000 %	66.20000 %

* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<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	\$ 2,880,359	\$ 2,435,730	\$ 2,066,617	\$ 2,298,904	\$ 2,352,602	\$ 2,816,431	\$ 2,846,162	\$ 2,725,000
Contributions in relation to statutorily required contributions*	<u>2,880,359</u>	<u>2,435,730</u>	<u>2,066,617</u>	<u>2,298,904</u>	<u>2,352,602</u>	<u>2,816,431</u>	<u>2,846,162</u>	<u>2,725,000</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 8,053,791	\$ 7,399,690	\$ 7,155,985	\$ 7,468,554	\$ 7,306,615	\$ 7,157,754	\$ 7,286,784	\$ 7,857,797
Contributions as a percentage of covered-employee payroll	35.76 %	32.92 %	28.88 %	30.78 %	32.20 %	39.35 %	39.06 %	34.68 %

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

** The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pensions and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.08454 %	0.08002 %	0.08543 %	0.08658 %	0.08675 %
Reporting unit's proportionate share of net OPEB liability	\$ 1,290,396	\$ 4,287,077	\$ 6,132,290	\$ 6,881,838	\$ 7,682,188
Reporting unit's covered-employee payroll*	\$ 7,626,039	\$ 7,086,854	\$ 7,456,692	\$ 7,365,218	\$ 7,163,577
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	590.98440 %	165.30736 %	121.59718 %	107.02400 %	93.24918 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33000 %	59.44000 %	48.46000 %	42.95000 %	36.93000 %

* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 642,961	\$ 610,407	\$ 482,784	\$ 591,115	\$ 2,352,602
Contributions in relation to statutorily required contributions*	<u>642,961</u>	<u>610,407</u>	<u>482,784</u>	<u>591,115</u>	<u>2,352,602</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 8,053,791	\$ 7,399,690	\$ 7,155,985	\$ 7,468,554	\$ 7,306,615
Contributions as a percentage of covered-employee payroll	7.98 %	8.25 %	6.75 %	7.91 %	32.20 %

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

** The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2022

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

Changes of assumptions: There were no changes of assumptions for the pension in 2021.

The assumption changes for 2021 for OPEB 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.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds			Debt Service Funds		
	Food Service	Community Education	Student/ School Activities	2015 Debt Service	2021 Bond Refunding Debt Service Fund	Total
<u>Assets</u>						
Cash and investments	\$ 286,247	\$ 252,142	\$ 407,057	\$ 50,200	\$ 49,585	\$ 1,045,231
Receivables - net:						
Due from other funds	27,128	46,112	0	0	0	73,240
Due from other governmental units	1,210	0	0	0	0	1,210
Prepaid expenditures	50,000	0	0	0	0	50,000
Inventory	13,893	0	0	0	0	13,893
Total assets	<u>\$ 378,478</u>	<u>\$ 298,254</u>	<u>\$ 407,057</u>	<u>\$ 50,200</u>	<u>\$ 49,585</u>	<u>\$ 1,183,574</u>
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 9,238	\$ 4,397	\$ 70	\$ 0	\$ 0	\$ 13,705
Due to other funds	0	0	8,271	0	0	8,271
Unearned revenue	16,196	0	0	0	0	16,196
Total liabilities	<u>25,434</u>	<u>4,397</u>	<u>8,341</u>	<u>0</u>	<u>0</u>	<u>38,172</u>
<u>Fund Balance</u>						
Non-spendable - inventory	13,893	0	0	0	0	13,893
Non-spendable - prepaid	50,000	0	0	0	0	50,000
Restricted for debt service	0	0	0	50,200	49,585	99,785
Restricted for community education	0	293,857	0	0	0	293,857
Restricted for food service	289,151	0	0	0	0	289,151
Committed for student/school activities	0	0	398,716	0	0	398,716
Total fund balance	<u>353,044</u>	<u>293,857</u>	<u>398,716</u>	<u>50,200</u>	<u>49,585</u>	<u>1,145,402</u>
	<u>\$ 378,478</u>	<u>\$ 298,254</u>	<u>\$ 407,057</u>	<u>\$ 50,200</u>	<u>\$ 49,585</u>	<u>\$ 1,183,574</u>

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds			Debt Service Funds		
	Food Service	Community Education	Student/ School Activities	2015 Debt Service	2021 Bond Refunding Debt Service Fund	Total
<u>Revenues</u>						
Local sources	\$ 123,632	\$ 332,002	\$ 533,877	\$ 332,241	\$ 137,433	\$ 1,459,185
State sources	13,482	0	0	0	7,018	20,500
Federal sources	834,672	238,700	0	0	0	1,073,372
Interdistrict and other sources	0	300	0	0	0	300
Total revenues	971,786	571,002	533,877	332,241	144,451	2,553,357
<u>Expenditures</u>						
Current:						
Food services	855,635	0	0	0	0	855,635
Business services	0	0	0	1,017	471	1,488
Community services	0	302,083	0	0	0	302,083
Student/school activities	0	0	467,623	0	0	467,623
Debt service:						
Principal	0	0	0	325,000	50,000	375,000
Interest and other	0	0	0	12,964	47,990	60,954
Total expenditures	855,635	302,083	467,623	338,981	98,461	2,062,783
Excess (deficiency) of revenues over expenditures	116,151	268,919	66,254	(6,740)	45,990	490,574
<u>Other Financing Sources (Uses)</u>						
Operating transfers out	0	(25,000)	0	0	0	(25,000)
Net change in fund balance	116,151	243,919	66,254	(6,740)	45,990	465,574
Fund balance - beginning of year	236,893	49,938	332,462	56,940	3,595	679,828
Fund balance - end of year	\$ 353,044	\$ 293,857	\$ 398,716	\$ 50,200	\$ 49,585	\$ 1,145,402

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2015 School Building and Site Bonds
For the Year Ended June 30, 2022

<u>PURPOSE</u>	The bonds were issued for the purpose of erecting, furnishing and equipping a cafeteria/multi-purpose room addition to Verellen Elementary School; remodeling, furnishing and refurbishing, and equipping and re-equipping other school buildings and facilities; acquiring and installing instructional technology in school buildings; purchasing school buses; and preparing, developing and improving sites.		
<u>DATE OF ISSUE</u>	May 13, 2015		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 4,590,000
<u>AMOUNT OF REDEEMED</u>			
	During prior years	\$ 4,265,000	
	During current years	<u>325,000</u>	<u>4,590,000</u>
<u>BALANCE OUTSTANDING - June 30, 2022</u>			<u>\$ 0</u>

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2021 Refunding Bond
For the Year Ended June 30, 2022

<u>PURPOSE</u>	2021 Refunding of 2015 School Building and Site Bonds			
<u>DATE OF ISSUE</u>	February 18, 2021			
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year			
<u>AMOUNT OF ISSUE</u>	\$ 3,300,000			
<u>AMOUNT OF REDEEMED</u>				
	During prior years	\$	0	
	During current years		<u>50,000</u>	<u>50,000</u>
<u>BALANCE OUTSTANDING - June 30, 2022</u>				<u>\$ 3,250,000</u>
<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	0.365%	\$ 395,000	\$ 39,312	\$ 434,312
2024	0.592%	395,000	37,870	432,870
2025	0.822%	400,000	35,531	435,531
2026	1.222%	400,000	32,243	432,243
2027	1.387%	410,000	27,355	437,355
2028	1.637%	410,000	21,669	431,669
2029	1.730%	415,000	14,957	429,957
2030	1.830%	<u>425,000</u>	<u>7,777</u>	<u>432,777</u>
		<u>\$ 3,250,000</u>	<u>\$ 216,714</u>	<u>\$ 3,466,714</u>



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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

October 10, 2022

Board of Education
Essexville-Hampton Public Schools
Essexville, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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 Essexville-Hampton Public Schools (School District), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Essexville-Hampton Public Schools' basic financial statements and have issued our report thereon dated October 10, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Essexville-Hampton Public 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 Essexville-Hampton Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Essexville-Hampton Public 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



WEINLANDER FITZHUGH

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Essexville-Hampton Public 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-001.

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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weinlander Fitzhugh



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

October 10, 2022

Board of Education
Essexville-Hampton Public Schools
Essexville, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Essexville-Hampton Public 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 Essexville-Hampton Public Schools' major federal programs for the year ended June 30, 2022. Essexville-Hampton Public 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, Essexville-Hampton Public 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 U.S. generally accepted auditing standards; 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 the audit 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). 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 Essexville-Hampton Public Schools and to meet our 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 Essexville-Hampton Public 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 Essexville-Hampton Public Schools' federal programs.

Auditor's Responsibility 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 Essexville-Hampton Public 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 U.S. 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 Essexville-Hampton Public Schools' compliance with the requirements for each major federal program as a whole.

In performing an audit in accordance with U.S. 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 Essexville-Hampton Public 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 Essexville-Hampton Public 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 Essexville-Hampton Public 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.



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Weinlander Fitzhugh

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO
<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NONE REPORTED
<input checked="" type="checkbox"/>	YES	<input type="checkbox"/>	NO

Noncompliance material to financial statements noted?

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO
<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NONE REPORTED

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

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO
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Identification of major programs:

ALN Number(s)
 10.553, 10.555,
 10.559

Name of Federal Program or Cluster
 Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?

<input checked="" type="checkbox"/>	YES	<input type="checkbox"/>	NO
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ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION II - Financial Statement Findings

2022-001

Criteria or Specific Requirement

School Districts should have controls in place to properly reflect anticipated revenues and expenditures, based on historical and ongoing information, in the budget.

Condition

The School District incurred budget violations in its General Fund revenues and expenditures.

Context

The budget is used to monitor financial performance and reasonableness of financial reports.

Effect

General Fund actual results were not within budget amounts.

Cause

The implementation of GASB 87 *Leases* was not included in the General Fund budget.

Recommendation

The School District should include the consideration of leasing activities in its procedures for monitoring and amending adopted budgets in accordance with standards established by the State of Michigan.

Views of the Responsible Officials and Planned Corrective Action

The School District will include future lease activity in adopted budgets. Refer to our corrective action plan for additional information.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2022

There were no matters reported in the prior year's audit.

Essexville-Hampton Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor Pass through Grantor Program Title Grant Number	Federal ALN	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2021	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2022
U.S. DEPARTMENT OF AGRICULTURE								
Nutrition Cluster								
Passed through Michigan Department of Education								
Non-Cash Assistance (Commodities)								
National School Lunch Program - Entitlements	10.555	\$ 43,211	\$ -	\$ -	\$ 43,211	\$ 43,211	\$ -	\$ -
Cash Assistance								
COVID-19 - School Breakfast Program	10.553							
211971 - SSO Breakfast		9,747	-	-	9,747	9,747	-	-
221971 - SSO Breakfast		104,952	-	-	104,952	104,952	-	-
		<u>114,699</u>	<u>-</u>	<u>-</u>	<u>114,699</u>	<u>114,699</u>	<u>-</u>	<u>-</u>
COVID-19 - National School Lunch Program	10.555							
211961 - SSO Lunch		68,929	-	-	68,929	68,929	-	-
221961 - SSO Lunch		555,922	-	-	555,922	555,922	-	-
		<u>624,851</u>	<u>-</u>	<u>-</u>	<u>624,851</u>	<u>624,851</u>	<u>-</u>	<u>-</u>
COVID-19 - Summer Food Service Program	10.559							
210904 - SFSP		522,645	42,155	491,650	30,495	72,650	-	-
220904 - SFSP		9,373	-	-	9,373	-	-	9,373
		<u>532,018</u>	<u>42,155</u>	<u>491,650</u>	<u>39,868</u>	<u>72,650</u>	<u>-</u>	<u>9,373</u>
Total Child Nutrition Cluster		<u>1,314,779</u>	<u>42,155</u>	<u>491,650</u>	<u>822,629</u>	<u>855,411</u>	<u>-</u>	<u>9,373</u>
Passed through Michigan Department of Education								
Child and Adult Care Food Program								
211920 CACFP	10.558	17,583	819	16,449	1,134	1,953	-	-
221920 CACFP		10,549	-	-	10,549	10,549	-	-
221980 Snacks		360	-	-	360	-	-	360
Total Child and Adult Care Food Program		<u>28,492</u>	<u>819</u>	<u>16,449</u>	<u>12,043</u>	<u>12,502</u>	<u>-</u>	<u>360</u>
Pandemic EBT Local Level Costs	10.649							
210980		614	-	-	614	614	-	-
Total P-EBT Local Level Costs		<u>614</u>	<u>-</u>	<u>-</u>	<u>614</u>	<u>614</u>	<u>-</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>1,343,885</u>	<u>42,974</u>	<u>508,099</u>	<u>835,286</u>	<u>868,527</u>	<u>-</u>	<u>9,733</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Essexville-Hampton Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor Pass through Grantor Program Title Grant Number	Federal ALN	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2021	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2022
U.S. DEPARTMENT OF EDUCATION								
Passed through the Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010							
211530-2021		283,715	206,919	206,919	19,585	226,504	-	-
221530-2022		298,788	-	-	295,702	195,482	-	100,220
Total Title I Grants to Local Educational Agencies		582,503	206,919	206,919	315,287	421,986	-	100,220
Title IIA Supporting Effective Instruction State Grant	84.367							
210520-2021		70,456	70,456	70,456	-	70,456	-	-
220520-2122		36,590	-	-	36,590	36,590	-	-
Total Title IIA Supporting Effective Instruction State Grant		107,046	70,456	70,456	36,590	107,046	-	-
Title IV Student Support and Academic Enrichment Program								
210750-2021	84.424	18,125	18,125	18,125	-	18,125	-	-
220750-2122		18,960	-	-	18,960	18,960	-	-
Total Title IV Student Support and Academic Enrichment		37,085	18,125	18,125	18,960	37,085	-	-
Education Stabilization Fund								
COVID-19 - Elementary and Secondary School								
Emergency Relief Funds								
GEER II - SEC 23c(2c) Teacher and Support Staff Pay	84.425C	16,000	-	-	16,000	16,000	-	-
203710 - ESSER Formula	84.425D	127,032	127,032	127,032	-	127,032	-	-
213722 - ESSER II - SEC 23(Bb)(2a) Summer School	84.425D	45,100	-	-	45,100	45,100	-	-
213742 - ESSER II - SEC 23(Bb)(2b) Credit Recovery	84.425D	16,500	-	-	16,500	16,500	-	-
213712 - ESSER II	84.425D	901,398	351,022	351,022	463,958	812,951	-	2,029
213762 - ESSER II - Benchmark Assessments	84.425D	11,822	-	-	11,822	11,822	-	-
213713 - ESSER III	84.425U	1,349,608	-	-	23,800	23,800	-	-
Total Education Stabilization Funds		2,467,460	478,054	478,054	577,180	1,053,205	-	2,029
TOTAL U.S. DEPARTMENT OF EDUCATION		3,194,094	773,554	773,554	948,017	1,619,322	-	102,249
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Health Resource Advocates	93.323							
2021-2022		44,468	-	-	44,468	36,777	-	7,691
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		44,468	-	-	44,468	36,777	-	7,691
TOTAL FEDERAL AWARDS		<u>\$ 4,582,447</u>	<u>\$ 816,528</u>	<u>\$ 1,281,653</u>	<u>\$ 1,827,771</u>	<u>\$ 2,524,626</u>	<u>\$ -</u>	<u>\$ 119,673</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

ESSEXVILLE-HAMPTON PUBLIC SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 credit made in the normal course of business to amounts reported as expenditures.

The School District has elected not to use the 10 percent de minimus indirect cost rate to recover costs as allowed under the Uniform Guidance.

The School District does not have any subrecipients.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the Nexsys System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 3 - RECONCILIATION OF REVENUE REPORTED IN THE FINANCIAL STATEMENTS

Total federal expenditures per Schedule of Expenditures of	
Federal Awards	\$ 1,827,771
Add:	
COVID-19 - Child Care Stabilization Grant	238,700
Less:	
Homeless grant adjustment	(36)
Revenues per financial statements - federal sources	<u>\$ 2,066,435</u>

NOTE 4 - (UNAUDITED) DONATED PERSONAL PROTECTIVE EQUIPMENT

For the year ended June 30, 2022, the School District received immaterial amounts of donated personal protective equipment.



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Bay City • Clare • Gladwin • West Branch

October 10, 2022

Board of Education
Essexville-Hampton Public Schools
Essexville, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Essexville-Hampton Public Schools (School District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 15, 2022. 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. The significant accounting policies used by Essexville-Hampton Public Schools are described in Note 1 to the financial statements. During 2022, the School District implemented Governmental Accounting Standard Board No. 87, *Leases*. The application of existing policies was not changed during 2022. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

Management's estimate of depreciation is based on the estimated useful life of fixed assets. We evaluated the key factors and assumptions used to develop the estimated useful life of fixed assets in determining that depreciation is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

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. The following material misstatements detected as a result of audit procedures were corrected by management: lease transactions.

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 10, 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 Essexville-Hampton Public Schools' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Essexville-Hampton Public 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 management discussion and analysis, budgetary comparison schedule for the General Fund and the pension and OPEB schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

We were engaged to report on schedule of expenditures of federal awards, combining nonmajor governmental fund financial statements and schedules of bonded indebtedness, 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 the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the information and use of Board of Education and management of Essexville-Hampton Public Schools and is not intended to be and should not be, used by anyone other than these specified parties.

Very truly yours

Weinlander Fitzhugh