

FRANKENMUTH SCHOOL DISTRICT
Frankenmuth, Michigan

FINANCIAL STATEMENTS
June 30, 2022



Gardner | Provenzano
Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

October 28, 2022

To the Board of Education
Frankenmuth School District
Frankenmuth, Michigan

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Frankenmuth School District and to meet out 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.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, the District adopted GASB Statement No. 87, *Leases*, in 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Frankenmuth School District's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Education
Frankenmuth School District
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of Frankenmuth 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 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 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 Frankenmuth School District's internal control over financial reporting and compliance.

Gardner, Prorogano, Thomas & Duplow, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the annual financial report presents management's discussion and analysis of Frankenmuth School District's performance during the fiscal year ending June 30, 2022. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the School District.

Annual Report

The annual report consists of our Management's Discussion and Analysis, a series of financial statements, notes to those statements, required supplemental information and other supplemental information. The financial statements are divided into two sections. The District-Wide Financial Statements provide information about the activities of the School District as a whole. They present a year-end aggregate view and a longer-term view of the District's finances. All funds, capital assets and debt are combined. The fund financial statements provide more detail showing the year's activity by fund. They also show the amount available to finance future programs. Fund statements do not include long-term items such as capital assets or long-term debt.

District-Wide Financial Statements

The District-wide financial statements appear first in the financial statements. They present information on the School District as a whole. They show net position and a statement of activities for the year. These statements include all assets and liabilities using the accrual basis of accounting, 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.

Net position, the difference between assets and liabilities, are one way of measuring the financial health of the School District. In the statement of activities, the revenues less the expenses result in an increase or decrease in the net position. Increases or decreases in net position, over time, affect the financial health of the District. However, the goal of the School District is to provide quality education and a safe environment, not to make a profit.

The statement of activities covers all of the School District's services, including instruction, supporting services, community services, athletics, student activities and food services. Property taxes, unrestricted State Aid, and State and Federal grants finance most of these activities.

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds instead of the School District as a whole. Some funds are required to be established by State law and by bond covenants. Many of the other funds are created to help control and manage money for a particular purpose or to meet legal responsibilities for certain taxes, grants, and other money. The governmental funds of the School District focus on showing how money flows into and out of funds and the balances left at year-end. They provide a detailed, short-term view of the operations and services of the School District. This helps determine whether more or fewer financial resources are available for future programs. An accounting method called modified accrual accounting is used in fund accounting. This method measures cash and all other financial assets that can readily be converted to cash.

The relationship between governmental activities (District-Wide Financial Statements) and governmental fund activities (Fund Financial Statements) will be reconciled later in the report.

Summary of District-Wide Financial Statement

The following table 1 provides a summary of our net position as of June 30, 2022 and 2021. They represent the School District as a whole.

Assets	2022	2021
Current and other assets	\$ 12,949,233	\$ 17,762,452
Capital assets - Net of accumulated depreciation	30,616,520	25,426,820
Total Assets	<u>43,565,753</u>	<u>43,189,272</u>
Deferred outflows of resources	<u>4,006,749</u>	<u>6,456,541</u>
Liabilities		
Current liabilities	3,561,259	3,440,812
Long-term liabilities	31,181,819	43,592,972
Total Liabilities	<u>34,743,078</u>	<u>47,033,784</u>
Deferred inflows of resources	<u>10,499,023</u>	<u>3,173,296</u>
Net position		
Net investment in capital assets	16,748,461	10,642,866
Restricted for debt service	367,772	343,916
Restricted for capital projects	4,224,044	1,095,206
Unrestricted	<u>(19,009,876)</u>	<u>(12,643,255)</u>
Total Net Position	<u>\$ 2,330,401</u>	<u>\$ (561,267)</u>

The change in net position for the 2021-2022 and 2020-2021 years is presented and discussed below in Table 2.

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Current assets include cash and receivables that will be realized in cash or consumed within the upcoming school year. Net investment in capital assets is the original cost of the assets and subtracting the depreciation and any related debt. Current liabilities include accounts and salaries payable whose liquidation is reasonably expected to require use of current assets. Long-term liabilities include general obligation bonds used to finance acquisition of capital assets and accrued compensated absences. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Long-term liabilities also include the District's net proportionate share of the Michigan Public School Employee's pension obligation and OPEB liability. Deferred outflows and inflows are related to the pension and OPEB transactions. Restricted net position are reported to show legal constraints that limit use of some of the assets. Debt covenants and legislation limit the School District's ability to use those net position for day-to-day operations. The unrestricted net position represents the accumulated results of all past years' activities. This amount will be affected by the year-to-year combined operations.

The summary of this year's and the previous year's activities for the School District as a whole are reported below.

	<u>2022</u>	<u>2021</u>
Revenue		
Program revenue		
Charges for services	\$ 993,555	\$ 515,306
Grants and categoricals	4,219,529	3,822,672
General revenue		
Property taxes	6,011,190	5,866,587
State foundation allowance	8,353,772	7,940,682
Other	365,104	263,743
Total Revenue	<u>19,943,150</u>	<u>18,408,990</u>
Function/Program expenses		
Instruction	8,209,468	9,282,363
Support services	5,128,896	5,299,145
Community services	616,317	590,222
Food services	719,722	366,338
Student activities	405,049	271,324
Athletics	432,001	547,050
Interest & misc. expense on long-term debt	354,282	505,486
Depreciation (unallocated)	1,185,747	1,024,947
Total Expenses	<u>17,051,482</u>	<u>17,886,875</u>
Increase (decrease) in Net Position	<u>\$ 2,891,668</u>	<u>\$ 522,115</u>

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Net position increased \$2,891,668 for the year ended June 30, 2022 as opposed to an increase of \$522,115 in the previous year. Revenues increased \$1,534,160 over the previous year with the largest increases in charges for services, grants and categoricals and state foundation allowance. Expenses decreased \$835,393 mostly due to changes related to the net pension and OPEB liabilities.

Funding for the above activities comes from a variety of sources. Some activities are partially funded by those who benefit from the programs or by grants and categoricals from governments and organizations. The remaining activities are paid for from taxes, State Foundation Allowance, and other revenues, such as interest.

The change in net position differs from the change in fund balance because of different accounting requirements. A reconciliation appears later in the financial statements.

The District's Funds

General Fund

The District's general fund balance at year end was \$5,028,993 preserving the District's set parameters of a minimum fund balance of \$4,000,000. The analysis of our final budget position in June and the results of governmental activities for the year were within reason. The District had an 20% projected use of reserve funds versus an actual 8% use in reserve funds, with a net of \$632,010 (4% of expenditure) better than final budget projections.

Food Service

The food service fund balance at year end was \$271,265 which is an increase in reserves of \$116,593. This is due to the increase in federal reimbursement for all student meals. At this time, the District has elected to transfer \$45,000 for indirect cost as allowable to the general fund.

Debt Service

The end of the year fund balance for the debt service funds was \$367,772. Our projected stable housing market and our positive collection rates should allow us to have flat or slight reductions in the mills requested each year.

The District will continue to work with our financial advisor to evaluate future rates and the necessary debt service fund balance to assure debt service payment. All principal and interest payments were made by the due dates this fiscal year.

Building and Site-Capital Projects Fund

Several projects were in progress at June 30, 2022. The fund balance was \$2,601,817 at year end. Construction from the \$13,595,000 voted bond in 2019 is projected to be complete the spring of 2023.

Sinking Fund-Capital Projects Fund

This fund saw an increase in fund balance of \$527,021 and year end fund balance of \$1,622,227. This was due to project completion dates straddling year-end. These funds are spent in conjunction with our continued five-year facility plan and 2019 bond. The summer of 2022 focused on capital improvements at the high school and middle school, continued HVAC improvements and the elementary.

Final Budget vs. Original Budget

Even with the challenging economic environment to end this fiscal year, the final to original budget comparison had minimal variances to note. Each year we establish a budget prior to July 1st in order to meet our legal requirement. This first budget is established with known and projected data which drastically changed by June. This past year the District had two budget amendments to address the financial climate change.

Revenue for the final budget was increased by \$2,031,993. Significant increases are as follows:

- State revenue was increased by \$1,092,260 (53% of the change). The initial District budget was created prior to the State Budget. The District projected a conservative increase in per pupil funding for the 2021-2022 original budget. In August, the State announced that there would be a \$450 increase in the foundation and other categorical payments. This resulted in a change in projected State foundation revenue for our budget amendment in April. This was carried forward to our final June amendment.
- Federal revenue was increased by \$484,188. After the establishment of our initial budget, the district was awarded additional ESSER and Cares Act Funds. This totals 95% of the change in original budget to final.

Expenditures were increased by \$2,955,763 from the first to the final budget. Significant increases are as follows:

- Basic programs were increased by \$1,464,516. This increase was related to a wage adjustment from our November negotiations (46%); COVID related purchases such as technology and furniture (21%); as well as adding one additional staff (33%).

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Final Budget vs. Actual Results

The results for revenue were \$262,568 better than the final projected budget an overall variance of 1.6%. There were variances in each category, however, management does not believe any to be significant.

Expenditures were \$369,442 less than final projected budget, an overall variance of 2.2%. There were variances in each category however management does not believe any to be significant.

Capital Assets

As of June 30, 2022 the School District had \$30,616,520 in capital assets less depreciation.

	<u>2022</u>	<u>2021</u>
Land	\$ 1,091,665	\$ 1,091,665
Construction in progress	3,202,684	3,163,611
Buildings and improvements	32,389,286	27,205,919
Site improvements	5,417,174	4,951,027
Buses and other vehicles	1,148,554	1,007,842
Furniture and equipment	2,494,800	1,948,652
Total Capital Assets	<u>45,744,163</u>	<u>39,368,716</u>
Less accumulated depreciation	<u>15,127,643</u>	<u>13,941,896</u>
Net Capital Assets	<u>\$ 30,616,520</u>	<u>\$ 25,426,820</u>

More information about capital assets is in the notes to the financial statements.

Debt

The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the School District's boundaries. If the School District issued "qualified debt," such obligations are not subject to this debt limit. The School District has no unqualified general obligation debt. Other obligations included employee-compensated absences. The notes to the financial statements contain detailed information on long-term liabilities. The following table shows outstanding debt:

Governmental Activities	<u>2022</u>	<u>2021</u>
2019 School Building and Site Bonds	\$ 12,195,000	\$ 12,925,000
Accrued compensated absences	109,133	129,818
Totals	<u>\$ 12,304,133</u>	<u>\$ 13,054,818</u>

Economic Conditions Affecting Next Year's Budget

When setting a budget for the upcoming year, the District looks at many elements. The main factors are student enrollment, labor costs, foundation allowance, and taxable values. With our future economic uncertainty, the District continues to maintain a conservative stance. Enrollment projections show a constant trend of a 1% plus/minus from our ideal of 1380 FTE's. The 2022-2023 fiscal year budget was set at 1,360 FTE's. As of our last count date, we have met the budgeted number and did see a .5% decrease from last year due to a decrease in high school enrollment, lower grade levels are at capacity. The District plans to continue current enrollment philosophy attempting to keep flat enrollment trends through our school of choice process as it is a perfect balance with current staff and building capacities. Currently 31% of our enrollment is school of choice and we continue to have a wait list for each level during our enrollment periods.

Local property values have had a stable increase with projections showing a continued steady growth, allowing similar projections for all of our local sources. The District will monitor values closely as post COVID prices are beginning to right themselves.

The State of Michigan increased minimum student foundation to \$9,150. This was an increase of \$450 per student or \$620,100 increase in revenue for the District. The projection for the current 2022-23 original budget is projected near break-even with a \$5,646 spend down of reserves. The factors that will have an impact include: additional receipt of federal 11t funds, District negotiations in November, and additional staffing needs for technology, transportation, and counseling. As the District works to amend the budget with changing conditions, our fund balance target of \$4,000,000 will continue to guide decisions. Our \$829,642 increase in 2020-2021 reserves continues to give the District the ability to increase reserve spending. The District does understand that a large portion of these funds were one-time monies from federal COVID relief and will continue to evaluate legacy impacts as a part of their spending plan.

Food Service

Budget projections for food service are for spend down of fund balance in the amount of \$111,127. This is based on the fact that the District is coming off of federally funded student lunches for the past two school years and we worry about direct sales. Expenditures for food are expected to continue to rise (3% to 6%) due to both a price increase in perishable products, scarcity of goods and increased supplies needed to serve lunch. At this time, we do not have any expected non-food purchases of significance planned for this fiscal year. The breakfast program was approved to continue but will again be monitored to measure return and participation. This year we will again evaluate a transfer to the general fund to cover allowable costs, but those costs were not a part of the initial budget approved.

Building and Site-Capital Projects Fund

The end of the year fund balance for building and site capital projects is \$2,601,817. These funds will be restricted for the approved capital projects that should be completed in the Spring of 2023.

Sinking Fund-Capital Projects Fund

On August 6th of 2019 our voters passed a building and site millage of 2.0 mills. This event combined two former building and site levies of .5 and 1.5 mills. The total projected revenue is approximately \$1,139,120 for fiscal year 2022-2023. Our third collection will be winter of 2022 cycle and the last is winter of 2024. The District is beginning to evaluate its next 5-year facilities plan which includes the use of our last three collections and a renewal of the millage.

Debt Service

The debt service funds ended with a fund balance of \$367,772. PFM continues to assist the District with the debt levy calculations and reporting to maintain a reserve of 2%-4% to assure payment.

Contacting the School District's Financial Management

If you have questions regarding this report, please contact the Superintendent's office, 525 E. Genesee St., Frankenmuth, Michigan 48734

Frankenmuth School District
District Wide
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,917,757
Investments	2,557,045
Due from other governmental units	2,233,341
Other receivables	5,433
Prepays	224,605
Inventories	11,052
Capital assets less accumulated depreciation	30,616,520
Total Assets	43,565,753
Deferred outflows of resources-OPEB	1,444,794
Deferred outflows of resources-related to pension liability	2,561,955
Total Deferred Outflows	4,006,749
Liabilities	
Current liabilities	
Accounts payable	1,159,262
Accrued interest	85,700
Salaries payable	912,443
Unearned revenue	407,205
Due to other governments	201,649
Bonds payable, due within one year	795,000
Long-term liabilities	
Premium on long-term debt	1,673,059
Bonds payable, due in more than one year	11,400,000
Compensated absences, due in more than one year	109,133
Net OPEB liability	1,075,149
Net pension liability	16,924,478
Total Liabilities	34,743,078
Deferred inflows of resources-related to OPEB	4,315,679
Deferred inflows of resources-related to pension liability	6,183,344
Total Deferred Inflows	10,499,023
Net Position	
Net investment in capital assets	16,748,461
Restricted for debt service	367,772
Restricted for capital projects	4,224,044
Unrestricted	(19,009,876)
Total Net Position	\$ 2,330,401

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

Frankenmuth School District
District Wide
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Instruction	\$ 8,209,468	\$ 20,206	\$ 1,775,868	\$ (6,413,394)
Support services	5,128,896	-	1,168,635	(3,960,261)
Community services	616,317	703,387	-	87,070
Food services	719,722	124,383	870,349	275,010
Student/school activities	405,049	-	404,677	(372)
Athletics	432,001	145,579	-	(286,422)
Interest & misc. expense on long-term debt	354,282	-	-	(354,282)
Depreciation (unallocated)	1,185,747	-	-	(1,185,747)
Totals	\$ 17,051,482	\$ 993,555	\$ 4,219,529	(11,838,398)

General revenues:

Taxes:

Property taxes levied for general purposes	3,555,369
Property taxes levied for capital projects	1,160,453
Property taxes levied for debt service	1,295,368
State aid - unrestricted	8,353,772
Interest	9,112
Other	355,992
Total General Revenues	14,730,066

Change in Net Position 2,891,668

Net Position - Beginning of Year (561,267)
Net Position - End of Year \$ 2,330,401

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

Frankenmuth School District
Governmental Funds
Balance Sheet
June 30, 2022

	General	Non-Major Fund Food Service	Non-Major Fund Debt Service	Sinking Fund Capital Projects	Non-Major Student Activity Fund	Building and Site Capital Projects	Totals
<u>Assets</u>							
Cash and cash equivalents	\$ 4,806,918	\$ 307,613	\$ 362,976	\$ 1,457,838	\$ 384,730	\$ 597,682	\$ 7,917,757
Investments	-	-	-	-	-	2,557,045	2,557,045
Due from other governmental units	2,193,741	31,105	4,796	3,699	-	-	2,233,341
Other receivables	5,433	-	-	-	-	-	5,433
Prepaid expenditures	224,605	-	-	-	-	-	224,605
Due from other funds	13,449	-	-	160,690	2,241	-	176,380
Inventory	1,973	9,079	-	-	-	-	11,052
Total Assets	<u>\$ 7,246,119</u>	<u>\$ 347,797</u>	<u>\$ 367,772</u>	<u>\$ 1,622,227</u>	<u>\$ 386,971</u>	<u>\$ 3,154,727</u>	<u>\$ 13,125,613</u>
<u>Liabilities</u>							
Accounts payable	\$ 548,146	\$ 47,835	\$ -	\$ -	\$ 10,371	\$ 552,910	1,159,262
Accrued salaries	912,267	176	-	-	-	-	912,443
Unearned unavailable revenue	407,205	-	-	-	-	-	407,205
Due to other governments	201,649	-	-	-	-	-	201,649
Due to other funds	147,859	28,521	-	-	-	-	176,380
Total Liabilities	<u>2,217,126</u>	<u>76,532</u>	<u>-</u>	<u>-</u>	<u>10,371</u>	<u>552,910</u>	<u>2,856,939</u>
Fund Balance							
Nonspendable:							
Prepaid expenditures	224,605	-	-	-	-	-	224,605
Inventory	1,973	9,079	-	-	-	-	11,052
Restricted:							
Capital projects	-	-	-	1,622,227	-	2,601,817	4,224,044
Debt service	-	-	367,772	-	-	-	367,772
Committed	-	-	-	-	376,600	-	376,600
Assigned	5,646	262,186	-	-	-	-	267,832
Unassigned	4,796,769	-	-	-	-	-	4,796,769
Total Fund Balance	<u>5,028,993</u>	<u>271,265</u>	<u>367,772</u>	<u>1,622,227</u>	<u>376,600</u>	<u>2,601,817</u>	<u>10,268,674</u>
Total Liabilities, and and Fund Balance	<u>\$ 7,246,119</u>	<u>\$ 347,797</u>	<u>\$ 367,772</u>	<u>\$ 1,622,227</u>	<u>\$ 386,971</u>	<u>\$ 3,154,727</u>	<u>\$ 13,125,613</u>

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

Frankenmuth School District
 Reconciliation of Balance Sheet of Governmental Funds To Net Position
 June 30, 2022

Total Fund Balances - Governmental Funds \$ 10,268,674

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

Deferred outflows of resources-related to pension 2,561,955
 Deferred outflows of resources-related to OPEB 1,444,794

Deferred inflows of resources-related to pension (6,183,344)
 Deferred inflows of resources-related to OPEB (4,315,679)

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

The cost of the capital assets is 45,744,163
 Accumulated depreciation is (15,127,643)

Accrued interest is not reported at the fund level (85,700)

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

Bonds payable (12,195,000)
 Premium on long-term debt (1,673,059)
 Compensated absences (109,133)
 Net pension liability (16,924,478)
 Net OPEB liability (1,075,149)

Total Net Position - Governmental Activities (District Wide) \$ 2,330,401

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

Frankenmuth School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2022

	General	Non-Major Fund Food Service	Non-Major Funds Debt Service	Sinking Fund Capital Projects	Non-Major Student Activity Fund	Building and Site Capital Projects	Totals
Revenue							
Local	\$ 4,482,253	\$ 124,531	\$ 1,295,372	\$ 1,176,298	404,677	\$ 6,020	\$ 7,489,151
State	10,545,188	29,940	6,146	-	-	-	10,581,274
Federal	815,281	840,409	-	-	-	-	1,655,690
Total Revenue	<u>15,842,722</u>	<u>994,880</u>	<u>1,301,518</u>	<u>1,176,298</u>	<u>404,677</u>	<u>6,020</u>	<u>19,726,115</u>
Expenditures							
Instruction							
Basic programs	8,523,283	-	-	-	-	-	8,523,283
Added needs	951,095	-	-	-	-	-	951,095
Support services							
Instructional staff	1,093,274	-	-	-	-	-	1,093,274
General administration	397,998	-	-	-	-	-	397,998
School administration	917,940	-	-	-	-	-	917,940
Business	333,599	-	-	-	-	-	333,599
Operation and maintenance	1,954,217	-	-	-	-	-	1,954,217
Pupil transportation services	585,024	-	-	-	-	-	585,024
Central services	629,277	-	-	-	-	-	629,277
Prior period adjustment	37,277	-	2,619	2,403	-	-	42,299
Community services	287,499	-	-	-	-	-	287,499
Custody and care of children	394,182	-	-	-	-	-	394,182
Non-public school pupils	11,783	-	-	-	-	-	11,783
Facilities acquisitions	-	-	-	646,874	-	5,053,687	5,700,561
Debt Service	-	-	1,275,043	-	-	-	1,275,043
Food services	-	833,535	-	-	-	-	833,535
Student activities	-	-	-	-	405,049	-	405,049
Athletic	481,024	-	-	-	-	-	481,024
Total Expenditures	<u>16,597,472</u>	<u>833,535</u>	<u>1,277,662</u>	<u>649,277</u>	<u>405,049</u>	<u>5,053,687</u>	<u>24,816,682</u>
Excess (Deficiency) of Revenues over Expenditures	(754,750)	161,345	23,856	527,021	(372)	(5,047,667)	(5,090,567)
Other Financing Sources (Uses)							
Transfers in	-	248	-	-	-	-	248
Transfer outs	(248)	(45,000)	-	-	-	-	(45,248)
Other transactions	304,484	-	-	-	-	-	304,484
Total Sources (Uses)	<u>304,236</u>	<u>(44,752)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,484</u>
Net Change in Fund Balances	(450,514)	116,593	23,856	527,021	(372)	(5,047,667)	(4,831,083)
Fund Balances							
Beginning of Year	5,479,507	154,672	343,916	1,095,206	376,972	7,649,484	15,099,757
Fund Balances - End of Year	<u>\$ 5,028,993</u>	<u>\$ 271,265</u>	<u>\$ 367,772</u>	<u>\$ 1,622,227</u>	<u>\$ 376,600</u>	<u>\$ 2,601,817</u>	<u>\$ 10,268,674</u>

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

Frankenmuth School District
 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 Balances - Governmental Funds \$ (4,831,083)

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

Governmental funds report capital outlay as expenditures; proceeds as income in the statement of activities, these costs are capitalized and depreciated over their estimated useful lives. Losses on the sale of capital assets are not recognized at the fund level.

Depreciation expense	(1,185,747)
Capital outlay	6,375,447

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Repayment of bond principal	730,000
Amortization of premium on long-term bonds	185,895

Governmental funds do not record accrued interest

Prior year	90,566
Current year	(85,700)

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

Pension and OPEB related items	1,634,054
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In the fund level statements revenue that is not measurable and available is not reported. However this revenue is reported in the governmental statement of activities

(42,450)

In the statement of activities, certain expenses (retirement incentives, compensated absences) are measured by the amounts earned during the year. The governmental funds measure the financial resources used (paid).

Compensated absences	20,686
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Change in Net Position of Governmental Activities (District Wide)	<u><u>\$ 2,891,668</u></u>
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The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1-Summary of Significant Accounting Policies

The Frankenmuth School District (the “School District”) operates under an elected Board of Education and provides educational services to approximately 1,375 students, based upon the blended count.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and 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. Based on the application of the criteria, the School District does not contain any component units.

B. District-Wide Statements

The District-Wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. The purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. 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 District’s activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to students 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 not properly included among program revenues are reported instead as general revenue.

The District-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The District-Wide approach is focused more on the sustainability of the School District as an entity and the change in the School District’s net position from the current year’s activities.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

C. Fund Financial Statements

The accounts of the School District are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the School District:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the School District.

General Fund is the general operating fund of the School District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The food service fund is a special revenue fund.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Student Activity Fund accounts for revenue sources from student-related activities. The District accounts for its student activity fund in a special revenue fund.

The emphasis in fund financial statements is on the major funds. The School District has opted to display information for all funds without regard to the criteria for determination of major funds. With the exception of the general fund, the sinking fund capital projects and the building and site capital project fund, none of the current funds meet the criteria for major fund status.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/ expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Full Accrual

The full accrual basis of accounting requires recording of revenue when earned and expenses 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.

Modified Accrual

The modified accrual basis recognizes revenues when they are 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, within 60 days of the end of the current fiscal year. Expenditures are still recognized when incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

E. Financial Statement Amounts

Cash

Cash includes cash on hand and demand deposits.

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

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

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Due from Other Governments and Receivables

Due from other governmental units are payments earned but not received at year-end from other governments. Receivables consist of all revenues earned at year-end but not yet received from other customers.

Inventories

Inventories consist of expendable supplies and fuel held for the School District's use and are carried at cost using the first-in, first-out method.

Prepays

Prepaid amounts consist of payments for which the School District will have a future benefit and will be used up at a date beyond the current year-end.

Use of Estimates

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

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed, as incurred. The School District does not possess infrastructure type assets. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

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

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Due to Other Governments and Accounts Payable

Accounts payable consist of items from which the School District benefited during the current fiscal year but has not yet paid.

Salaries Payable

Salaries payable consist of amounts due on employee's contracts payable for the current fiscal year and the District's portion of payroll taxes and retirement.

Long-Term Liabilities

Bonds payable are the result of long-term obligations issued for the purpose of making capital purchases and improvements or the refinancing of previously issued obligations. Compensated absences represent accumulated unpaid vacation and sick leave payable upon termination of employment. No portion of the compensated absence is believed to be current at year-end. Net pension and OPEB liabilities represent the District's proportionate share of the total liability recognized by the Michigan Public School Retirement Plan.

Inter-fund Activity

Inter-fund activity is reported as transfers and are eliminated upon consolidation.

Unemployment Compensation

The School District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the School District must reimburse the Employment commission for all benefits charged against the School District. The District incurred unemployment expenditures in the amount of \$797 for the year ended June 30, 2022.

Property Taxes

The School District levies its property taxes on December 1, and various municipalities collect its property taxes and remit them to the School District through February. The delinquent real property taxes of the School District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The County sells tax notes, the proceeds of which have been used to pay the School District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 28, 2022, which is the date the financial statements were available to be issued.

FRANKENMUTH SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

Foundation Revenue

The State of Michigan has adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance 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 School District. For the year ended June 30, 2022, the foundation allowance was based on 90 percent of pupil membership counts from the fall of 2021 fiscal year and 10 percent of the pupil membership counts from the spring of 2021.

The state portion of the foundation allowance is provided primarily by a state education property tax millage of 6 mills and an allocation portion of state sales and other taxes. The local portion of the foundation allowance is funded primarily by non-prequalified and commercial 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 11 payments from October 2021–August 2022.

State Categorical Revenue

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 expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

Fund Balance

The District's fund balance classifications are as follows:

- Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed – Amounts that have been formally set aside by the Board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board.
- Assigned – Intent to spend resources on specific purposes expressed by the Board.
- Unassigned – Amounts that are available for any purpose.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

At June 30, 2022 the general fund and the food service fund had \$1,973, and \$9,079 in nonspendable fund balance for inventory, respectively. The general fund had nonspendable fund balance in the amount of \$224,605 for prepaid items and \$5,646 in assigned fund balance for a reduction in fund balance in the 2022-2023 fiscal year. The food service fund had \$262,186 in assigned fund balance for food service activities. The debt service fund, sinking fund capital projects and building and site capital projects funds had restricted fund balances in the amounts of \$367,772, \$1,622,227 and \$2,601,817 for debt service and capital projects, respectively. The student activity fund balance in the amount of \$376,600 was committed for that purpose.

Deferred outflows/inflows of resources

In addition to assets, the financial statements 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. A deferred outflow is recognized for pension contributions and OPEB made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies. In addition, deferred outflows are recognized for other pension items.

In addition to liabilities, the financial statements 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. Future resources yet to be recognized in relation to the pension and OPEB actuarial valuation are recognized as deferred inflows. These future resources arise from the differences in the estimates used by the actuary to calculate the pension and OPEB liabilities and the actual results. The amounts are amortized over a period determined by the actuary.

Net position flow assumption

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

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Fund balance flow assumptions

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

Pension

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

Postemployment Benefits Other Than Pensions

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

NOTE 2-Stewardship, Compliance, and Accountability

The School District is required to adopt an annual budget before the beginning of the fiscal year for the general fund and the food service fund. The accounting basis of the budget is the modified accrual method. Following are the procedures used 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 by June 30 of each year. The budget includes proposed expenditures and the means to finance them.
2. A public hearing is conducted to obtain taxpayer comments.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

3. The Superintendent is authorized to transfer budgeted amounts within functional expenditure lines as approved by the Board; however, any revisions that alter functional expenditure lines of any fund must be approved by the Board of Education.
4. Budgeted amounts shown in the supplemental information reflect amendments through June 30.

The budgetary comparison presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by June 30. Expenditures in excess of amounts budgeted are a violation of Michigan law.

State law permits districts to amend their budgets during the year. The School District budget variances are illustrated in the supplemental information.

NOTE 3-Deposits and Investments

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

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, \$8,022,937 of the District's bank balance of \$8,337,461 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$7,917,757.

Custodial credit risk – investments

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

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law. The adopted investment policy of the Board is to invest surplus funds of the District.

Interest rate risk

The District does not have a policy for interest rate risk.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Concentration of credit risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Foreign currency risk

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

Fair value measurement

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

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

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

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

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

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

The following is the District's investments at June 30, 2022:

	<u>Amortized Cost</u>
MILAF Max Class	<u>\$ 2,557,045</u>

NOTE 4-Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. During the year, the School District carried commercial insurance for the above risks of loss.

NOTE 5-Capital Assets and Accumulated Depreciation

Capital asset activity of the School District was as follows:

	Balance July 1, 2021	Additions	Transfers Adjustments	Disposals	Balance June 30, 2022
Capital assets not subject to depreciation					
Land	\$ 1,091,665	\$ -	\$ -	\$ -	\$ 1,091,665
Construction in progress	3,163,611	2,922,381	(2,883,308)	-	3,202,684
Subtotals	<u>4,255,276</u>	<u>2,922,381</u>	<u>(2,883,308)</u>	<u>-</u>	<u>4,294,349</u>
Capital assets subject to depreciation					
Site improvements	4,951,027	466,147	-	-	5,417,174
Buildings and improvements	27,205,919	2,300,059	2,883,308	-	32,389,286
Buses	914,652	140,712	-	-	1,055,364
Vehicles	93,190	-	-	-	93,190
Furniture and equipment	1,948,652	546,148	-	-	2,494,800
Subtotals	<u>35,113,440</u>	<u>3,453,066</u>	<u>2,883,308</u>	<u>-</u>	<u>41,449,814</u>
Total Capital Assets	<u>39,368,716</u>	<u>6,375,447</u>	<u>-</u>	<u>-</u>	<u>45,744,163</u>
Accumulated depreciation					
Site improvements	597,995	260,921	-	-	858,916
Buildings and improvements	11,439,594	667,321	-	-	12,106,915
Buses	754,367	58,364	-	-	812,731
Vehicles	54,131	7,900	-	-	62,031
Furniture and equipment	1,095,809	191,241	-	-	1,287,050
Total Accumulated Depreciation	<u>13,941,896</u>	<u>1,185,747</u>	<u>-</u>	<u>-</u>	<u>15,127,643</u>
Total Net Capital Assets	<u>\$ 25,426,820</u>	<u>\$ 5,189,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,616,520</u>

Depreciation was not charged to specific activities as the School District considers its capital assets to impact multiple activities and allocation is not practical.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

NOTE 6-Inter-fund – Receivables and Payables and Transfers

The makeup of inter-fund balances is as follows:

Fund	Due From (Receivable)	Fund	Due To (Payable)
General fund	\$ 13,449	Food service	\$ 13,449
Student Activity	2,241	General fund	2,241
Sinking fund	145,618	General fund	145,618
	15,072	Food service	15,072
	<u>\$ 160,690</u>		<u>\$ 160,690</u>

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

The following transfers were made:

Fund	Incoming Transfer	Fund	Outgoing Transfer
General fund	\$ 45,000	Food service	\$ 45,000
Food service	248	General fund	248
	<u>\$ 45,248</u>		<u>\$ 45,248</u>

The transfer from food service to the general fund was to recover indirect costs. The transfer from the general fund to the food service was to charge allowable grants expenditures.

NOTE 7-Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term debts include compensated absences.

Long-term debt activity is summarized as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Current Portion
Governmental Activities					
Accrued compensated absences	\$ 129,818	\$ 3,278	\$ 23,963	\$ 109,133	\$ -
2019 School Building and Site Bonds	12,925,000	-	730,000	12,195,000	795,000
Totals	<u>\$ 13,054,818</u>	<u>\$ 3,278</u>	<u>\$ 753,963</u>	<u>\$ 12,304,133</u>	<u>\$ 795,000</u>

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity for the above governmental bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
2023	\$ 795,000	\$ 514,200	\$ 1,309,200
2024	825,000	482,400	1,307,400
2025	835,000	449,400	1,284,400
2026	850,000	416,000	1,266,000
2027	870,000	382,000	1,252,000
2027-2032	4,440,000	1,276,200	5,716,200
2032-2036	3,580,000	358,000	3,938,000
Compensated Absences	109,133	-	109,133
Totals	<u>\$ 12,304,133</u>	<u>\$ 3,878,200</u>	<u>\$ 16,182,333</u>

For the year ended June 30, 2022 the total interest paid on bonded debt was \$543,400.

NOTE 8-Pension Plan

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members with eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2021.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0%	19.78%
Member Investment Plan	3.0 – 7.0%	19.78%
Pension Plus	3.0 – 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the District were \$2,146,438 for the year ended September 30, 2021.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2022, the District reported a liability of \$16,924,478 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was .07148 percent, which was a decrease of .00025 percent from its proportion measured as of September 30, 2020.

For the year ending June 30, 2022, the District recognized pension expense of \$1,885,422. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Source Description</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 262,167	\$ 99,665
Changes of assumptions	1,066,859	-
Net difference between projected and actual earnings on pension plan investments	-	5,441,165
Changes in proportion and differences between District contributions and proportionate share of contributions	136,922	642,514
District contributions subsequent to the measurement date	1,096,007	-
Total	<u>\$ 2,561,955</u>	<u>\$ 6,183,344</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year
 (to be Recognized in Future Pension Expenses)

<u>Plan Year Ended</u>		
2022	\$	(577,380)
2023	\$	(1,105,172)
2024	\$	(1,490,652)
2025	\$	(1,544,192)

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80% net of investment expenses
- Pension Plus Plan:	6.80% net of investment expenses
- Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75 – 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality: 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 Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4367.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity	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%	-0.1%
Total	<u>100%</u>	

*Long term rate of return does not include 2.0% inflation.

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

Based on these 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.

Sensitivity of the employer’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 Plan), as well as what *the District’s* proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>5.80% / 5.80% / 5.00%</u>	<u>6.80% / 6.80% / 6.00%</u>	<u>7.80% / 7.80% / 7.00%</u>
\$ 24,197,413	\$16,924,478	\$ 10,894,737

Michigan Public School Employees’ Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Pension Plan

The District accrued liabilities to the System in the amount of \$331,904 associated with salary and wages recorded as liabilities at year end.

NOTE 9-Post-Retirement Benefits Other than Pension (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members with eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2021.

OPEB Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from The District were \$522,892 for the year ended September 30, 2021.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2022, The District reported a liability of \$1,075,149 for its proportionate share of the MPSERS net OPEB liability. 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 rolled forward from September 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was .0704 percent, which was a decrease of .0043 percent from its proportion measured as of October 1, 2020.

For the year ending June 30, 2022, The District recognized OPEB expense of (\$620,401). At June 30, 2022, The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Source Description</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ -	\$ 3,068,937
Changes of assumptions	898,772	134,490
Net difference between projected and actual earnings on OPEB plan investments	-	810,359
Changes in proportion and differences between District contributions and proportionate share of contributions	87,189	301,893
District contributions subsequent to the measurement date	458,833	-
Total	<u>\$ 1,444,794</u>	<u>\$ 4,315,679</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year
 (to be Recognized in Future OPEB Expenses)

<u>Plan Year Ended</u>		
2022	\$	(829,875)
2023	\$	(774,338)
2024	\$	(732,003)
2025	\$	(685,721)
2026	\$	(272,087)
Thereafter	\$	(35,694)

FRANKENMUTH SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality: 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 Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection MP-2017 from 2006.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity	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%	-0.1%
Total	<u>100%</u>	

*Long term rate of return does not include 2.0% inflation.

Rate of Return

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

Discount Rate

A discount rate of 6.95% 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 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.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 1,997,822	\$1,075,149	\$ 292,130

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 261,683	\$1,075,149	\$ 1,990,397

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Pension Plan

The District accrued liabilities to the System in the amount of \$54,681 associated with salary and wages recorded as liabilities at year end.

NOTE 10-Self-Funded Insurance

The School District offers a self-insured dental plan to all full-time employees. Participants and their eligible dependents are entitled to benefits as outlined in the program booklet entitled, "Frankenmuth School District Dental Insurance Plan".

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11-Sinking Funds

The Frankenmuth School District's Capital Projects Fund-Sinking Fund records capital projects activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of section 1212 of the Revised School Code.

NOTE 12-Economic Dependency

The School District received approximately 61% of their revenue from the Michigan Department of Education. Due to the significance of the revenue source to the School District, the District is considered to be economically dependent.

NOTE 13-Upcoming Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscriptions-based Information Technology Arrangements*, was issued by the GASB in May 2020. 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 SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopting during the 2022-2023 fiscal year.

NOTE 14-New Accounting Standard

For the year ended June 30, 2022, the Academy implemented the following new pronouncement: GASB Statement No. 87, *Leases*. Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no impact on the financial statements related to the adoption of GASB 87.

REQUIRED SUPPLEMENTAL INFORMATION

FRANKENMUTH SCHOOL DISTRICT
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund				Food Service			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenue								
Local	\$ 4,041,574	\$ 4,497,119	\$ 4,482,253	\$ (14,866)	\$ 14,926	\$ 10,500	\$ 124,531	\$ 114,031
State	9,534,654	10,626,914	10,545,188	(81,726)	17,941	17,941	29,940	11,999
Federal	276,417	760,605	815,281	54,676	463,298	713,850	840,409	126,559
Incoming transfers and other transactions	-	-	304,484	304,484	-	-	248	248
Total Revenues	<u>13,852,645</u>	<u>15,884,638</u>	<u>16,147,206</u>	<u>262,568</u>	<u>496,165</u>	<u>742,291</u>	<u>995,128</u>	<u>252,837</u>
Expenditures								
Instruction								
Basic programs	7,084,217	8,548,733	8,523,283	(25,450)	-	-	-	-
Added needs	1,094,091	1,005,229	951,095	(54,134)	-	-	-	-
Support Services								
Instructional staff	989,831	1,188,113	1,093,274	(94,839)	-	-	-	-
General administration	394,431	408,896	397,998	(10,898)	-	-	-	-
School administration	868,646	888,960	917,940	28,980	-	-	-	-
Business	263,908	301,740	333,599	31,859	-	-	-	-
Operation and maintenance	1,464,920	1,922,411	1,954,217	31,806	-	-	-	-
Pupil transportation services	399,733	673,778	585,024	(88,754)	-	-	-	-
Central services	399,017	712,149	629,277	(82,872)	-	-	-	-
Prior period adjustment	38,000	38,000	37,277	(723)	-	-	-	-
Community services	219,891	289,996	287,499	(2,497)	-	-	-	-
Custody and care of children	326,022	455,032	394,182	(60,850)	-	-	-	-
Non-public school pupils	-	-	11,783	11,783	-	-	-	-
Food service	-	-	-	-	462,842	757,507	833,535	76,028
Athletic activities	468,692	533,875	481,024	(52,851)	-	-	-	-
Transfers out	-	250	248	(2)	-	-	45,000	45,000
Total Expenditures	<u>14,011,399</u>	<u>16,967,162</u>	<u>16,597,720</u>	<u>(369,442)</u>	<u>462,842</u>	<u>757,507</u>	<u>878,535</u>	<u>121,028</u>
Excess (Deficiency) of Revenues								
Over Expenditures	(158,754)	(1,082,524)	(450,514)	632,010	33,323	(15,216)	116,593	131,809
Fund Balance - Beginning of Year	5,479,507	5,479,507	5,479,507	-	154,672	154,672	154,672	-
Fund Balance - End of Year	<u>\$ 5,320,753</u>	<u>\$ 4,396,983</u>	<u>\$ 5,028,993</u>	<u>\$ 632,010</u>	<u>\$ 187,995</u>	<u>\$ 139,456</u>	<u>\$ 271,265</u>	<u>\$ 131,809</u>

FRANKENMUTH SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 9/30 of each fiscal year)

	2021	2020	2019	2018	2017	2016	2015	2014
A. District's proportion of net pension liability (%)	0.07148%	0.07400%	0.07380%	0.07287%	0.07155%	0.00689%	0.06504%	0.06755%
B. District's proportionate share of net pension liability	\$16,924,478	\$25,403,708	\$24,449,484	\$21,907,520	\$18,540,763	\$17,181,466	\$15,885,527	\$14,878,387
C. District's unit's covered-payroll	\$6,360,668	\$6,614,917	\$6,501,592	\$6,309,200	\$6,076,791	\$6,022,655	\$5,578,315	\$5,840,933
D. District's proportionate share of net pension liability as a percentage of its covered-payroll (%)	266%	384%	376%	347%	305%	285%	285%	255%
E. Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Schedule of District's Contributions
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 6/30 of each fiscal year)

	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 1,359,905	\$ 1,210,842	\$ 1,203,332	\$ 1,140,274	\$ 1,102,126	\$ 1,116,834	\$ 1,112,973	\$ 1,231,199
B. Contributions in relation to statutorily required contributions	1,359,905	1,210,842	1,203,332	1,134,688	1,101,682	1,116,417	1,113,256	1,227,829
C. Contribution deficiency (excess)	-	-	-	5,586	444	417	(283)	3,370
D. District's covered-payroll	\$ 7,269,016	\$ 6,550,946	\$ 6,617,668	\$ 6,474,275	\$ 6,237,789	\$ 6,009,306	\$ 5,881,054	\$ 5,806,489
E. Contributions as a percentage of covered-payroll	19%	18%	18%	18%	18%	19%	19%	21%

Notes to Required Supplementary Information
There were no changes of benefit terms in fiscal year 2021.

There were no changes of benefit assumptions in fiscal year 2021

FRANKENMUTH SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the net OPEB Liability
Michigan Public School Employees Retirement Plan
(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>
A. District's proportion of net OPEB liability (%)	0.07043%	0.07476%	0.07452%	0.07418%	0.07020%
B. District's proportionate share of net OPEB liability	\$1,075,419	\$4,005,492	\$5,349,057	\$5,897,152	\$6,378,381
C. District's unit's covered-payroll	\$6,360,668	\$6,614,917	\$6,501,592	\$6,309,200	\$6,076,791
D. District's proportionate share of net pension OPEB as a percentage of its covered-payroll (%)	16.91%	60.55%	82.27%	93.47%	104.96%
E. Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	36.39%	36.39%

Schedule of District's Contributions
Michigan Public School Employees Retirement Plan
(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>
A. Statutorily required contributions OPEB	\$ 575,614	\$ 535,595	\$ 526,014	\$ 507,791	\$ 449,625
B. OPEB Contributions in relation to statutorily required contributions	575,614	535,595	526,014	502,205	449,181
C. Contribution deficiency (excess)	-	-	-	5,586	444
D. District's covered-payroll	\$ 7,269,016	\$ 6,550,946	\$ 6,617,668	\$ 6,474,276	\$ 6,237,789
E. OPEB Contributions as a percentage of covered-payroll	7.92%	8.18%	7.95%	7.76%	7.20%

Notes to Required Supplementary Information

There were no changes of benefit terms in fiscal year 2021.

There were no changes of benefit assumptions in fiscal year 2021

OTHER SUPPLEMENTAL INFORMATION

FRANKENMUTH SCHOOL DISTRICT
SCHEDULES OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2022

2019 School Building and Site Bonds
\$13,595,000

Year Ending	Annual Principal	Semiannual Interest Payment		Total Fiscal Year
2022-23	\$ 795,000	\$ 257,100	\$ 257,100	\$ 1,309,200
2023-24	825,000	241,200	241,200	1,307,400
2024-25	835,000	224,700	224,700	1,284,400
2025-26	850,000	208,000	208,000	1,266,000
2026-27	870,000	191,000	191,000	1,252,000
2027-28	880,000	169,250	169,250	1,218,500
2028-29	890,000	147,250	147,250	1,184,500
2029-30	890,000	125,000	125,000	1,140,000
2030-31	890,000	107,200	107,200	1,104,400
2031-32	890,000	89,400	89,400	1,068,800
2032-33	895,000	71,600	71,600	1,038,200
2033-34	895,000	53,700	53,700	1,002,400
3034-35	895,000	35,800	35,800	966,600
2035-36	895,000	17,900	17,900	930,800
	<u>\$ 12,195,000</u>	<u>\$ 1,939,100</u>	<u>\$ 1,939,100</u>	<u>\$ 16,073,200</u>



Frederick C. Gardner
Giacamo Provenzano
Heather Thomas-Verhaeghe
Brett A. Luplow

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 28, 2022

To the Board of Education
Frankenmuth School District
Frankenmuth, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Frankenmuth School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Frankenmuth School District's basic financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Frankenmuth School District's internal control over financial reporting (internal control) to determine the 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 Frankenmuth School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Frankenmuth School District's internal control.

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

To the Board of Education
Frankenmuth School District
Page Two

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 have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Gardner, Prorogano, Thomas & Duplow, P.C.

Certified Public Accountants

SINGLE AUDIT COMPLIANCE



Frederick C. Gardner
Giacamo Provenzano
Heather Thomas-Verhaeghe
Brett A. Luplow

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

October 28, 2022

To the Board of Education
Frankenmuth School District
Frankenmuth, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Frankenmuth School District's 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 the Frankenmuth School District's major federal programs for the year ended June 30, 2022. Frankenmuth School District's 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, Frankenmuth School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Frankenmuth School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Frankenmuth School District's compliance with the requirements of each major federal program as a whole.

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompany schedule of findings and questioned costs as finding 2022-1. Our opinion on the major program is not modified with respect to this matter.

Government Auditing Standards requires the auditor perform limited procedures on the Frankenmuth School District's response to the noncompliance finding in our audit described in the accompanying schedule of findings and questioned costs. Frankenmuth School District's response was not subject to any other auditing procedures applied in the audit of compliance and , accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

Gardner, Proronyano, Thomas & Luplow, P.C.

Certified Public Accountants

Frankenmuth School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal grantor/pass-through grantor program title	Federal ALN number	Pass- through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2021	Prior year expenditures (memo only)	Current year receipts (cash basis)	Current year expenditures	Accrued (unearned) revenue 6/30/2022
<u>U.S. Department of Agriculture:</u>								
<u>Child Nutrition Cluster:</u>								
Passed through Michigan Department of Education:								
Non-cash assistance (donated foods):								
National School Lunch - entitlement	10.555		\$ 55,624	\$ -	\$ -	\$ 55,624	\$ 55,624	\$ -
Passed through Michigan Department of Education:								
Cash assistance								
COVID-Seamless Summer Option for Children-Lunch	10.555	221961	653,725	-	-	628,672	653,725	25,053
USDA Supply Chain Assistance Funds	10.555	220910	30,154	-	-	30,154	30,154	-
			<u>683,879</u>	<u>-</u>	<u>-</u>	<u>658,826</u>	<u>683,879</u>	<u>25,053</u>
COVID-Seamless Summer Option for Children-Breakfast	10.553	221971	100,906	-	-	95,719	100,906	5,187
Total Child Nutrition Cluster			<u>840,409</u>	<u>-</u>	<u>-</u>	<u>810,169</u>	<u>840,409</u>	<u>30,240</u>
COVID-Pandemic EBT Local Level Costs	10.649	210980	614	-	-	614	614	-
Total U.S. Department of Agriculture			<u>841,023</u>	<u>-</u>	<u>-</u>	<u>810,783</u>	<u>841,023</u>	<u>30,240</u>
<u>U.S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title I, Part A, Grants to Local Educational Agencies	84.010	211530-2021	70,768	11,236	68,818	11,236	-	-
Title I, Part A, Grants to Local Educational Agencies	84.010	221530-2122	66,062	-	-	41,153	55,634	14,481
			<u>136,830</u>	<u>11,236</u>	<u>68,818</u>	<u>52,389</u>	<u>55,634</u>	<u>14,481</u>
Title II, Part A, Supporting Effective Instruction State Grants	84.367	220520-2122	24,176	-	-	23,359	23,359	-
Title IV, Part A Student Support & Academic Enrichment	84.424	220750-2122	10,000	-	-	10,000	10,000	-
COVID-ESSER II - Formula	84.425D	213712-2021	224,173	-	97,723	126,450	126,450	-
COVID- ESSER II - Summer Program	84.425D	213722-2122	49,159	-	-	31,971	47,112	15,141
COVID- ESSER II - Credit Recovery	84.425D	213742-2122	31,257	-	-	22,957	22,957	-
COVID- ESSER II - Before & After School Programs	84.425D	213752-2122	25,000	-	-	10,013	23,292	13,279
COVID-ESSER II - Benchmark Assessments	84.425D	213762-2022	10,087	-	-	10,087	10,087	-
COVID-GEER II - Teacher & Support Staff Payments	84.425C	211202-2122	11,000	-	-	11,000	11,000	-
			<u>350,676</u>	<u>-</u>	<u>97,723</u>	<u>212,478</u>	<u>240,898</u>	<u>28,420</u>
Total passed through Michigan Department of Education			<u>521,682</u>	<u>11,236</u>	<u>166,541</u>	<u>298,226</u>	<u>329,891</u>	<u>42,901</u>

The accompanying notes are an integral part of this schedule.

Frankenmuth School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal grantor/pass-through grantor program title	Federal ALN number	Pass- through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2021	Prior year expenditures (memo only)	Current year receipts (cash basis)	Current year expenditures	Accrued (unearned) revenue 6/30/2022
Passed through Saginaw ISD:								
<u>Special Education Cluster:</u>								
IDEA Special Education	84.027A	210450-2021	277,057	104,185	277,057	104,185	-	-
IDEA Special Education	84.027A	220450-2122	261,776	-	-	162,076	261,776	99,700
Total passed through Saginaw ISD			<u>538,833</u>	<u>104,185</u>	<u>277,057</u>	<u>266,261</u>	<u>261,776</u>	<u>99,700</u>
Total U.S. Department of Education			<u>1,060,515</u>	<u>115,421</u>	<u>443,598</u>	<u>564,487</u>	<u>591,667</u>	<u>142,601</u>
<u>U.S. Department of Treasury</u>								
Coronavirus Relief Fund	21.019	MAISA	28,863	(25,890)	2,973	-	25,890	-
Total U.S. Department of Treasury			<u>28,863</u>	<u>(25,890)</u>	<u>2,973</u>	<u>-</u>	<u>25,890</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,930,401</u>	<u>\$ 89,531</u>	<u>\$ 446,571</u>	<u>\$ 1,375,270</u>	<u>\$ 1,458,580</u>	<u>\$ 172,841</u>

The accompanying notes are an integral part of this schedule.

Frankenmuth School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE 1--Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Frankenmuth School District's 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Frankenmuth School District, it is not intended to and does not present the financial position or changes in net position of Frankenmuth School District.

Management has utilized NexSys, the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards

NOTE 2--Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Frankenmuth School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3--Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

Note 4--Reconciliation of Schedule of Federal Awards to the Financial Statements

Total federal expenditures per schedule of expenditures of federal awards	\$ 1,458,580
Coronavirus relief fund - child care relief fund grant not required to be recorded on the SEFA	154,660
IDEA funds spent at June 30, 2021 but not received until after the period of availability	<u>42,450</u>
Federal revenue on the financial statements	<u><u>\$ 1,655,690</u></u>

Frankenmuth School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section III Federal Award Findings and Questioned Costs

2022-01 – Program Income – Food Service Fund Balance

Finding Type. Immaterial Noncompliance in Internal Controls over Compliance

Federal program(s). U.S. Department of Agriculture
Child Nutrition Cluster (ANL# 10.553, and 10.555)

Criteria. The USDA requires the ending balance of the school food service fund not exceed three months' average of operating expenses.

Condition. As of June 30, 2022, the District's fund balance exceeded three months' average of operating expenses.

Cause. This condition appears to be the result of the extra funding received by the District's related to the Seamless Summer Option for Children (COVID-19).

Effect. As a result of this condition, the District did not fully comply with USDA fund balance requirements.

Questioned Costs. No costs have been questioned as a result of this finding.

Recommendation. We recommend that the District implement a plan to spend down the fund balance and submit this plan to MDE for approval.

View of Responsible Official. The District is aware of the USDA fund balance requirements. The District operated under the Seamless Summer Option during fiscal year 2021-22 which allowed all of our students to eat both breakfast and lunch for free. The District received a large amount of federal funding which in turn resulted in more fund balance than allowed by USDA at 6/30/2022 (\$5,466). The Food Service Director and Business Manager are in the process of creating a spenddown plan to be submitted to MDE which will move fund balance within an allowable range.

Responsible officials. Director of Finance

Estimated Completion Date. June 2023

Frankenmuth School District
Prior Year Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

There were no findings for the year ended June 30, 2021

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GRANT HEGENAUER
SUPERINTENDENT

CORRECTIVE ACTION PLAN

Certain matters were brought to our attention as a result of the audit process. These are described more fully in the Schedule of Findings and Questioned Costs. We evaluated the matters noted below, and have described our planned actions as a result.

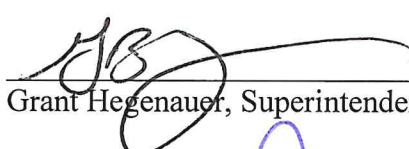
2022-01 – Program Income – Food Service Fund Balance

Management Assessment. We concur with the audit assessment regarding this matter.

Planned Corrective Action. The District is aware of the USDA fund balance requirements. The District operated under the Seamless Summer Option during fiscal year 2021-22 which allowed all of our students to eat both breakfast and lunch for free. The District received a large amount of federal funding which in turn resulted in more fund balance than allowed by USDA at 6/30/2022 (\$5,466). The Food Service Director and Business Manager are in the process of creating a spenddown plan to be submitted to MDE which will move fund balance within an allowable range.

Responsible Party. Business Manager

Date of Planned Corrective Action. June 2023



Grant Hegenauer, Superintendent



Philip Martin, Business Manager