

Avondale School District

Financial Statements

June 30, 2022



Table of Contents

<u>Section</u>		<u>Page</u>
1	Members of the Board of Education and Administration	1 - 1
2	Independent Auditors' Report	2 - 1
3	Management's Discussion and Analysis	3 - 1
4	Basic Financial Statements	
	District-wide Financial Statements	
	Statement of Net Position	4 - 1
	Statement of Activities	4 - 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 - 4
	Reconciliation of the Balance Sheet of	
	Governmental Funds to the Statement of Net Position	4 - 6
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 7
	Reconciliation of the Statement of Revenues, Expenditures and	
	Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 9
	Fiduciary Funds	
	Statement of Fiduciary Net Position	4 - 10
	Statement of Changes in Fiduciary Net Position	4 - 11
	Notes to the Financial Statements	4 - 12

SectionPage

5

Required Supplementary Information

Budgetary Comparison Schedule – General Fund	5 - 1
Schedule of the School District's Proportionate Share of the Net Pension Liability	5 - 3
Schedule of the School District's Pension Contributions	5 - 4
Schedule of the School District's Proportionate Share of the Net OPEB Liability	5 - 5
Schedule of the School District's OPEB Contributions	5 - 6

6

Other Supplementary Information

Nonmajor Governmental Funds	
Combining Balance Sheet	6 - 1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 - 3
General Fund	
Comparative Balance Sheet	6 - 5
Schedule of Outstanding Bonded Indebtedness	6 - 7

Avondale School District
Members of the Board of Education and Administration
June 30, 2022

Members of the Board of Education

Chip Tischer	President
Lucille Washington	Vice President
Kelly Brault	Secretary
David Down	Treasurer
Sean Johnson	Trustee
Terry Lang	Trustee
Rita Davis	Trustee

Administration

Dr. James V. Schwarz	Superintendent
Dan Trudel	Assistant Superintendent for Financial Services
Melinda Carroll	Executive Director of Student Services
Coleen Brunni	Assistant Superintendent for Curriculum and Instruction

Independent Auditors' Report

Management and the Board of Education
Avondale School District
Auburn Hills, Michigan

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management of 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 from material misstatement, whether due to fraud or error.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Avondale 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 Avondale School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Avondale School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, other than the prior year 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, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Avondale School District's basic financial statements as of and for the year ended June 30, 2021, which are not presented with the accompanying basic financial statements. In our report dated October 20, 2021, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Avondale School District's basic financial statements as a whole. The 2021 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 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 2021 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022 on our consideration of Avondale School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Avondale School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Avondale School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 12, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Avondale School District
Management's Discussion and Analysis
June 30, 2022

This section of the Avondale School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Avondale School District financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2020 Capital Projects Fund and Community Services Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for General Fund

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

Avondale School District
Management's Discussion and Analysis
June 30, 2022

These two statements report the School District's net position - the difference between assets, deferred outflows of resources and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenditures is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community education, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Community Services Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The School District uses the following accounting approach:

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

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Avondale School District
Management's Discussion and Analysis
June 30, 2022

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2022 and 2021.

Table 1	Governmental Activities	
	2022	2021
Assets		
Current and other assets	\$ 32,477,331	\$ 36,350,127
Capital assets	<u>109,929,860</u>	<u>108,895,651</u>
Total Assets	<u>142,407,191</u>	<u>145,245,778</u>
Deferred Outflows of Resources	<u>21,176,432</u>	<u>28,940,413</u>
Liabilities		
Current Liabilities	11,673,860	12,033,154
Long-term liabilities	<u>148,150,481</u>	<u>190,654,353</u>
Total Liabilities	<u>159,824,341</u>	<u>202,687,507</u>
Deferred Inflows of Resources	<u>36,063,826</u>	<u>13,159,442</u>
Net Position		
Net investment in capital assets	29,994,056	26,854,481
Restricted	2,495,649	1,719,757
Unrestricted	<u>(64,794,249)</u>	<u>(70,234,996)</u>
Total net position	<u>\$ (32,304,544)</u>	<u>\$ (41,660,758)</u>

Avondale School District
Management's Discussion and Analysis
June 30, 2022

The School District's net position was (\$32.30 million) and (\$41.66 million) at June 30, 2022 and 2021, respectively. Net investment in capital assets totaling \$29.99 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Net position restrictions are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use net position for day-to-day operations. The remaining amount of net position is an unrestricted deficit and totals \$64.79 million.

The (\$64.79 million) in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. A positive unrestricted net position balance would enable the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The School District's unrestricted net position balance is currently in deficit position, which, according to these statements, signals we will experience difficulties with cash flow. Taken in total, there are minimal reserves available to handle large unexpected uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

As discussed below, the majority of the deficit net position is directly related to implementation of GASB 75 which reflects \$55.64 million in net pension liability. The ultimate requirement for the School District to actually pay out this amount is, in my opinion, doubtful. Please refer to Note 11 in the Notes to the Financial Statements for additional information relative to this liability.

During the 2017-18 year the School District implemented GASB 75 which resulted in a restatement of beginning net position. As of June 30, 2022, the estimated net pension liability for the school district is \$55.64 million and the net OPEB liability is \$3.54 million. Deferred inflows relating to net pension liability are \$22.32 million, and deferred outflows relating to the net pension liability are \$14.15 million. Additionally, deferred inflows relating to net OPEB liability are \$13.74 million, and deferred outflows relating to the net OPEB liability are \$5.64 million. These deferrals will be amortized through the plan year 2025.

Avondale School District
Management's Discussion and Analysis
June 30, 2022

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net position for fiscal years 2022 and 2021 (see Table 2).

Table 2

	Governmental Activities	
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 2,385,057	\$ 960,887
Operating grants and contributions	17,650,653	15,810,771
Capital grants and contributions	92,980	93,225
General revenues		
Property taxes	20,271,061	19,748,284
State aid-unrestricted	30,311,220	29,079,194
Other	381,529	201,798
Total revenues	71,092,500	65,894,159
Expenditures		
Instruction	36,658,292	42,456,715
Supporting services	19,759,050	17,421,065
Food services	1,533,489	1,132,511
Community services	1,031,440	796,343
Interest on long-term debt	2,754,015	3,297,311
Total expenditures	61,736,286	65,103,945
Change in net position	\$ 9,356,214	\$ 790,214

As reported in the statement of activities, the cost of all of our governmental activities this year was \$61.74 million. Certain activities were partially funded from those who benefited from the programs (\$0.93 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$20.04 million). We paid for the remaining "public benefit" portion of our governmental activities with \$20.27 million in taxes, \$30.31 million in state foundation allowance, and \$.38 million with our other revenues, i.e., interest income and general entitlements.

The School District experienced an increase in net position of \$9.36 million, and total net position increased from (\$41.66 million) to (\$32.30 million).

Avondale School District
Management's Discussion and Analysis
June 30, 2022

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$20.71 million.

Our Special Revenue Funds (Food Services, Student/School Activities and Community Services Funds) had a combined increase in fund equity of approximately \$1.28 million. Food Services fund equity increased approximately \$467,000, which is mostly due to the free lunch program provided by the federal government. Student/School Activities fund equity increased approximately \$6,500. Community Services fund equity increased approximately \$800,000 primarily due to child care funding.

Combined, the Debt Service Funds showed a planned fund balance decrease of approximately \$86,000. This decrease was planned due to a decrease in overall property tax collections during the fiscal year.

The Sinking Fund's fund balance increased by approximately \$309,000. This increase was planned to provide financing for future projects, including classroom lighting upgrades, building renovations and other sitework.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts paid and received is provided in the required supplemental information of these financial statements.

There were revisions made to the original 2021-22 General Fund budget. Total budgeted revenues were increased approximately \$5,356,000 due to instability in the state budget during the beginning of the pandemic compared with the original adopted budget. An additional increase in federal grants of \$2,551,000 was also included versus the original budget. The variance from budget to actual for revenues was approximately -1.12% percent.

Budgeted expenditures were increased approximately \$5.18 million. Of this amount, Instructional costs increased approximately \$4.12 million primarily due to expansion of shared time agreements, other personnel expenditures and expanded federal grant funding to aid schools during the pandemic. Pupil support services increased approximately \$.78 million primarily due to added costs associated with additional counseling and social work

Avondale School District
Management's Discussion and Analysis
June 30, 2022

services provided to students, as well as additional costs budgeted within the added federal grant funding. The remainder of the expenditure variances were for other assorted known changes to expenditures. The variance from budget to actual for expenditures was approximately 1.67% percent.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022, the School District had \$109.93 million invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of \$1.03 million.

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$81.07 million in bonds outstanding versus \$88.47 million in the previous year (a decrease of 8.36 percent). The decrease is due to the repayment of bonds (see Note 9 to the financial statements). The outstanding bonds consisted of the following:

2010 Building and Site Series A	\$4,000,000
2017 Refunding Bonds	15,880,000
2018 Building and Site Bonds	11,350,000
2020 Building and Site Bonds	17,535,000
2020 Refunding Series A Bonds	15,410,000
2020 Refunding Series B Bonds	16,890,000

The School District's general obligation bonds are qualified for participation by the State in the Michigan School Loan Revolving Program. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. All of the School District's outstanding general obligation debt of \$81.07 million is qualified by the State.

Other obligations include accrued vacation pay, sick leave, early separation agreements, and accreted interest on capital appreciation bonds. We present more detailed information about our long-term liabilities in the notes to the financial statements (Note 9).

Avondale School District
Management's Discussion and Analysis
June 30, 2022

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's 2022-2023 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2022-2023 school year is the traditional blended count of 90 percent and 10 percent of October 2022 and February 2022 student counts, respectively. The 2022-2023 budget was adopted in June 2022, based on an estimate of students that will be enrolled in October 2022. Approximately 53.83 percent of total General Fund revenue is from the foundation allowance another 16.31 percent of revenues is derived from other state sources. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. The state's ability to adequately fund public education continues to diminish.

Based on the initial fall student count, the blended count to formulate the 2022-2023 budget is in line with the projected target. Once the final student count and related per pupil funding is validated, the School District will amend the budget to more accurately reflect the resources available and adjust original appropriations to reflect known changes in its operating obligations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. It is anticipated with the 2023 budget adoption the foundation allowance will be higher as compared against the 2021-2022 foundation. Although the base foundation allowance will be higher, costs for additional staffing, retirement and other benefits will be incurred. During the summer of 2015, the legislature enacted legislation requiring school districts to achieve a minimum 5 percent General Fund fund equity to avoid state oversight. The District's General Fund fund equity at June 30, 2022 is approximately 19.31 percent of revenues down from 19.46 percent at June 30, 2021. Although the District has been able to maintain a healthy fund equity, pressure to increase employee compensation to remain competitive with neighboring districts will provide negative pressure on our ability to maintain this level of fund equity.

If the State's revenue budget falls short of projections, the legislature must then revise the appropriation or proration of state aid will occur.

Shared Time Teaching Agreements

The State of Michigan allows public school districts to enter into agreements with private not-for-profit schools to provide instruction in non-core subjects direct to the non-public students in return for a prorated share of the pupil foundation. Non-core classes include subjects such as art, music, physical education, kindergarten, foreign language and certain advanced placement courses taught at the secondary level. The courses are taught by District paid teachers at the non-public location during the normal school day. The District has entered into several agreements with parochial schools in southeast Michigan to provide these services. In fiscal year 2021-2022, the District netted approximately \$1.08 million from these services.

During the last three fiscal years, the state legislature has attempted to curtail these types of services by placing limitations on the percentage of full time equivalent allowed for reimbursement and/or the total dollar amount paid per pupil. For the 2021-2022 fiscal year, the State has placed a cap on growth of existing programs at 10% of the prior year's participation level. As this service is a substantial portion of net revenues to the District's General Fund, additional attempts to reduce this program by the State could provide budgetary difficulties to the District. The District was able to grow the program to the maximum allowable in fiscal 2020-2021 and again for fiscal year 2021-2022.

**Avondale School District
Management's Discussion and Analysis
June 30, 2022**

Contacting the School District's Administration

This report is designed to give an overview of the financial condition of the Avondale School District. If there are additional questions or information needed, please contact the business office at (248) 537-6000.

BASIC FINANCIAL STATEMENTS

Avondale School District
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Assets	
Cash	\$ 18,070,458
Accounts receivable	105,832
Due from other governmental units	8,949,875
Interest receivable	35,870
Inventory	34,984
Investments	4,948,352
Prepaid items	331,960
Capital assets not being depreciated	4,803,052
Capital assets - net of accumulated depreciation	<u>105,126,808</u>
 Total assets	 <u>142,407,191</u>
 Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	14,150,355
Deferred amount relating to the net OPEB liability	5,643,425
Deferred amount on debt refunding	<u>1,382,652</u>
 Total deferred outflows of resources	 <u>21,176,432</u>

See Accompanying Notes to the Financial Statements

Avondale School District
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 2,174,318
Due to other governmental units	1,192,470
Payroll deductions and withholdings	573,068
Accrued expenditures	501,231
Accrued salaries payable	4,707,228
Unearned revenue	2,525,545
Noncurrent liabilities	
Net pension liability	55,643,863
Net OPEB liability	3,540,711
Debt due within one year	8,121,000
Debt due in more than one year	<u>80,844,907</u>
Total liabilities	<u>159,824,341</u>
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	22,319,650
Deferred amount relating to the net OPEB liability	<u>13,744,176</u>
Total deferred inflows of resources	<u>36,063,826</u>
Net Position	
Net investment in capital assets	29,994,056
Restricted for	
Food service	829,675
Capital projects	1,665,974
Unrestricted (deficit)	<u>(64,794,249)</u>
Total net position	<u>\$ (32,304,544)</u>

See Accompanying Notes to the Financial Statements

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

		Program Revenues			Net (Expense)
			Operating	Capital	Revenue and
	Expenses	Charges for	Grants and	Grants and	Changes in
		Services	Contributions	Contributions	Net Assets
Functions/Programs					
Governmental activities					
Instruction	\$ 36,658,292	\$ 107,819	\$ 12,091,137	\$ -	\$ (24,459,336)
Supporting services	19,759,050	522,857	3,705,476	-	(15,530,717)
Food services	1,533,489	6,396	1,854,040	-	326,947
Community services	1,031,440	1,747,985	-	-	716,545
Interest and fiscal charges on long-term debt	<u>2,754,015</u>	<u>-</u>	<u>-</u>	<u>92,980</u>	<u>(2,661,035)</u>
Total governmental activities	<u>\$ 61,736,286</u>	<u>\$ 2,385,057</u>	<u>\$ 17,650,653</u>	<u>\$ 92,980</u>	<u>(41,607,596)</u>
General revenues					
Property taxes, levied for general purposes					8,679,390
Property taxes, levied for debt service					5,552,276
Property taxes, levied for sinking fund					6,039,395
State aid - unrestricted					30,311,220
Interest and investment earnings					6
Other					<u>381,523</u>
Total general revenues					<u>50,963,810</u>
Change in net position					9,356,214
Net position - beginning					<u>(41,660,758)</u>
Net position - ending					<u>\$ (32,304,544)</u>

See Accompanying Notes to the Financial Statements

Avondale School District
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	2020 Capital Projects Fund	Community Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 5,503,020	\$ 6,796,639	\$ 2,289,209	\$ 3,481,590	\$ 18,070,458
Accounts receivable	98,484	-	7,348	-	105,832
Due from other funds	-	-	-	2,038	2,038
Due from other governmental units	8,897,187	-	-	52,688	8,949,875
Inventory	-	-	-	34,984	34,984
Investments	4,948,352	-	-	-	4,948,352
Prepaid items	331,960	-	-	-	331,960
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 19,779,003</u>	<u>\$ 6,796,639</u>	<u>\$ 2,296,557</u>	<u>\$ 3,571,300</u>	<u>\$ 32,443,499</u>
Liabilities					
Accounts payable	\$ 976,265	\$ 995,102	\$ 3,082	\$ 199,869	\$ 2,174,318
Due to other funds	2,038	-	-	-	2,038
Due to other governmental units	1,177,535	-	14,935	-	1,192,470
Payroll deductions and withholdings	573,068	-	-	-	573,068
Accrued salaries payable	4,707,228	-	-	-	4,707,228
Unearned revenue	1,180,110	-	1,273,420	72,015	2,525,545
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>8,616,244</u>	<u>995,102</u>	<u>1,291,437</u>	<u>271,884</u>	<u>11,174,667</u>
Deferred Inflows of Resources					
Unavailable grant receivables	<u>561,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>561,533</u>

See Accompanying Notes to the Financial Statements

Avondale School District
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	2020 Capital Projects Fund	Community Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances					
Nonspendable					
Inventory	\$ -	\$ -	\$ -	\$ 34,984	\$ 34,984
Prepaid items	331,960	-	-	-	331,960
Restricted for					
Food service	-	-	-	794,691	794,691
Debt service	-	-	-	371,253	371,253
Capital projects	-	5,801,537	-	1,665,974	7,467,511
Committed for					
Future dental claims	7,705	-	-	-	7,705
Student and school activities	-	-	-	432,514	432,514
Assigned for					
Community services	-	-	1,005,120	-	1,005,120
Budgeted excess expenditures over revenues	15,741	-	-	-	15,741
Unassigned	<u>10,245,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,245,820</u>
 Total fund balances	 <u>10,601,226</u>	 <u>5,801,537</u>	 <u>1,005,120</u>	 <u>3,299,416</u>	 <u>20,707,299</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 19,779,003</u>	 <u>\$ 6,796,639</u>	 <u>\$ 2,296,557</u>	 <u>\$ 3,571,300</u>	 <u>\$ 32,443,499</u>

See Accompanying Notes to the Financial Statements

Avondale School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

Total fund balances for governmental funds	\$ 20,707,299
Total net assets for governmental activities in the statement of net assets is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Other governmental units	561,533
Receivables related to interest subsidy to offset the accrued interest payable	35,870
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	4,803,052
Capital assets - net of accumulated depreciation	105,126,808
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	1,382,652
Deferred inflows of resources resulting from the net pension liability	(22,319,650)
Deferred outflows of resources resulting from the net pension liability	14,150,355
Deferred inflows of resources resulting from the net OPEB liability	(13,744,176)
Deferred outflows of resources resulting from the net OPEB liability	5,643,425
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(501,231)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(55,643,863)
Net OPEB liability	(3,540,711)
Compensated absences	(109,914)
Employee severance pay	(1,736,000)
Bonds payable	<u>(87,119,993)</u>
Net assets of governmental activities	<u>\$ (32,304,544)</u>

See Accompanying Notes to the Financial Statements

Avondale School District
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	2020 Capital Projects Fund	Community Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 9,202,550	\$ 1	\$ 766,231	\$ 12,203,925	\$ 22,172,707
State sources	40,378,418	-	-	51,967	40,430,385
Federal sources	2,745,472	26,706	981,754	1,912,586	5,666,518
Interdistrict sources	<u>2,565,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,565,773</u>
 Total revenues	 <u>54,892,213</u>	 <u>26,707</u>	 <u>1,747,985</u>	 <u>14,168,478</u>	 <u>70,835,383</u>
Expenditures					
Current					
Education					
Instruction	36,595,985	-	-	-	36,595,985
Supporting services	17,916,658	-	-	-	17,916,658
Student and school activities	-	-	-	402,639	402,639
Food services	-	-	-	1,421,751	1,421,751
Community services	10,045	-	946,239	-	956,284
Capital outlay	5,134	5,657,789	-	1,097,611	6,760,534
Debt service					
Principal	-	-	-	7,400,000	7,400,000
Interest and other expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,213,483</u>	<u>3,213,483</u>
 Total expenditures	 <u>54,527,822</u>	 <u>5,657,789</u>	 <u>946,239</u>	 <u>13,535,484</u>	 <u>74,667,334</u>
 Excess (deficiency) of revenues over expenditures	 <u>364,391</u>	 <u>(5,631,082)</u>	 <u>801,746</u>	 <u>632,994</u>	 <u>(3,831,951)</u>

See Accompanying Notes to the Financial Statements

Avondale School District
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	2020 Capital Projects Fund	Community Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)					
Transfers in	\$ -	\$ -	\$ -	\$ 294,303	\$ 294,303
Transfers out	<u>(1,747)</u>	<u>-</u>	<u>-</u>	<u>(292,556)</u>	<u>(294,303)</u>
Total other financing sources (uses)	<u>(1,747)</u>	<u>-</u>	<u>-</u>	<u>1,747</u>	<u>-</u>
Net change in fund balance	362,644	(5,631,082)	801,746	634,741	(3,831,951)
Fund balances - beginning	<u>10,238,582</u>	<u>11,432,619</u>	<u>203,374</u>	<u>2,664,675</u>	<u>24,539,250</u>
Fund balances - ending	<u><u>\$ 10,601,226</u></u>	<u><u>\$ 5,801,537</u></u>	<u><u>\$ 1,005,120</u></u>	<u><u>\$ 3,299,416</u></u>	<u><u>\$ 20,707,299</u></u>

See Accompanying Notes to the Financial Statements

Avondale School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - Total governmental funds	\$ (3,831,951)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	257,117
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(4,502,804)
Capital outlay	5,537,013
Expenses are recorded when incurred in the statement of activities.	
Interest	61,332
Special termination benefits	(202,000)
Compensated absences	(10,425)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded in the governmental funds equals actual pension contributions.	
Net change in net pension liability	25,532,154
Net change in the deferral of resources related to the net pension liability	(24,920,500)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded in the governmental funds equals actual OPEB contributions.	
Net change in the net OPEB liability	9,322,374
Net change in the deferral of resources related to the net OPEB liability	(5,684,232)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	7,400,000
Amortization of premiums	461,769
Amortization of deferred amount on refunding	(63,633)
Change in net position of governmental activities	\$ 9,356,214

See Accompanying Notes to the Financial Statements

Avondale School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	<u>Private Purpose Trust Funds</u>
Assets	
Cash	\$ <u>677</u>
Net position	
Assets held for scholarships and loans	\$ <u>677</u>

See Accompanying Notes to the Financial Statements

Avondale School District
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	<u>Private Purpose Trust Funds</u>
Additions	\$ -
Deductions	<u>-</u>
Change in net position	-
Net Position - beginning	<u>677</u>
Net Position - ending	<u><u>\$ 677</u></u>

See Accompanying Notes to the Financial Statements

Avondale School District
Notes to the Financial Statements
June 30, 2022

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Avondale School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

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

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by

general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of

Avondale School District
Notes to the Financial Statements
June 30, 2022

the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2020 Capital Projects Fund - The 2020 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs, relating to the 2020 Building and Site Bonds. The fund is kept open until the purpose for which the fund was created has been accomplished.

Community Service Fund – The Community Service Fund is used to account for the Recreation, Community Education, and the Child Care programs.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund, and Student/School Activity Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been

accomplished. The School District's Capital Projects Funds include the Sinking Fund and the 2018 Capital Project Fund. The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction or repair of school buildings. The 2018 Capital Project Fund is used to record bond proceeds for building and site improvements.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2022, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non principal residence	18.0000
Commercial personal property	6.0000
Debt Service Funds	
All property	7.3000
Sinking Fund	
All property	0.8000

Avondale School District

Notes to the Financial Statements

June 30, 2022

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. 100% of the School District's tax roll lies within Oakland County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed, although significant amounts of inventory are capitalized at year end.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	50 years
Furniture	20 years
Equipment	5 - 10 years
Buses and other vehicles	8 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The liability for compensated absences reported in the district-wide statements consist of earned but unused accumulated vacation day balances. A liability for these amounts is reported in the governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

Avondale School District
Notes to the Financial Statements
June 30, 2022

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Superintendent. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

Avondale School District
Notes to the Financial Statements
June 30, 2022

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The Board of Education recognizes that sound fiscal management comprises the foundational support of the entire School District. To make that support as effective as possible the Board shall establish, by its second meeting of November, a fund equity goal not lower than five percent (5%) nor higher than fifteen percent (15%) for use during the annual budget development process for the subsequent school year. The purpose of fund equity is to protect the cash flow position of the School District, reduce the need to borrow funds, and ensure adequate financial resources are being applied to educational programs. The rationale for any fund equity goal outside of this range will be documented and recorded in the minutes of a regular Board meeting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 87, *Leases* increases the usefulness of the District's 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 financing of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting

Avondale School District
Notes to the Financial Statements
June 30, 2022

requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

The School District had the following budget variances where expenditures exceeded the budget:

<u>Function</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund			
Instructional staff	\$ 1,510,703	\$ 1,556,053	\$ 45,350
General administration	550,243	550,887	644
Operations and maintenance	4,264,714	4,420,939	156,225
Athletic activities	713,646	733,359	19,713
Food Service Fund	1,289,181	1,421,751	132,570

Avondale School District
Notes to the Financial Statements
June 30, 2022

Compliance - Bond Proceeds

The Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2018 and 2020 Capital Projects Funds, from the inception of the fund through the current fiscal year:

	2020 Building and Site Fund	2018 Building and Site Fund
Revenues	\$ 18,233,915	\$ 13,018,368
Expenditures	12,432,378	13,018,368

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 18,070,458	\$ 677	\$ 18,071,135
Investments	4,948,352	-	4,948,352
	<u>\$ 23,018,810</u>	<u>\$ 677</u>	<u>\$ 23,019,487</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 18,069,098
Investments in securities, mutual funds, and similar vehicles	4,948,352
Petty cash and cash on hand	<u>2,037</u>
Total	<u>\$ 23,019,487</u>

As of year end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Commercial Paper	\$ 3,950,232	November 2022 - February 2023	A2	Moody's
US Treasury Notes	988,086	May 2024	Aaa	Moody's
Fifth Third Money Market	<u>10,034</u>	N/A	N/A	N/A
	<u>\$ 4,948,352</u>			

Interest rate risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Avondale School District

Notes to the Financial Statements

June 30, 2022

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$18,007,559 of the School District's bank balance of \$18,507,559 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in

active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2022:

- U.S. Treasury securities of \$988,086 are valued using quoted market prices (Level 1 inputs)
- Commercial papers of \$3.9 million are valued using a matrix pricing model (Level 2 inputs).

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,467,033	\$ -	\$ -	\$ 3,467,033
Construction in progress	2,250,189	-	914,170	1,336,019
Total capital assets not being depreciated	5,717,222	-	914,170	4,803,052
Capital assets being depreciated				
Buildings and additions	164,305,559	6,446,008	-	170,751,567
Equipment and furniture	3,797,741	5,175	-	3,802,916
Buses and other vehicles	1,719,660	-	-	1,719,660
Total capital assets being depreciated	169,822,960	6,451,183	-	176,274,143
Less accumulated depreciation for				
Buildings and additions	61,753,962	4,150,394	-	65,904,356
Equipment and furniture	3,504,380	130,285	-	3,634,665
Buses and other vehicles	1,386,189	222,125	-	1,608,314
Total accumulated depreciation	66,644,531	4,502,804	-	71,147,335
Net capital assets being depreciated	103,178,429	1,948,379	-	105,126,808
Net capital assets	\$ 108,895,651	\$ 1,948,379	\$ 914,170	\$ 109,929,860

Avondale School District
Notes to the Financial Statements
June 30, 2022

Depreciation expense was charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 2,876,157
Support services	1,439,753
Food services	111,738
Community services	<u>75,156</u>
 Total governmental activities	 <u>\$ 4,502,804</u>

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 2,038</u>

The outstanding balances between the General Fund and Nonmajor Governmental Funds resulted mainly from the lag time between the dates that transactions were recorded in the accounting system and payments between funds were made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	<u>Transfers Out</u>		
	General Fund	Nonmajor Governmental Funds	Total
Transfers In			
Nonmajor governmental funds	<u>\$ 1,747</u>	<u>\$ 292,556</u>	<u>\$ 294,303</u>

A general fund transfer of \$1,748 was made to cover student lunch payments at year end. A debt service fund transfer of \$288,070 was made from 2010 Series A to the 2017 Refunding Bond, 2020 Series A, and 2020 Series B debt service funds to cover debt payments.

Note 7 - Unearned and Unavailable Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned and unavailable revenue are as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 2,525,545	\$ -
Grant funds not received within 60 days of year end	<u>-</u>	<u>561,533</u>
Total	<u>\$ 2,525,545</u>	<u>\$ 561,533</u>

Note 8 - Due to Other Governmental Units

Due to other governmental units is made up of the following as of June 30, 2022:

Unfunded Accrued Actuarial Liability	\$ 1,008,481
Other payables	<u>183,989</u>
	<u>\$ 1,192,470</u>

Avondale School District
Notes to the Financial Statements
June 30, 2022

Note 9 - 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 obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 88,465,000	\$ -	\$ 7,400,000	\$ 81,065,000	\$ 7,940,000
Premium on bonds	6,516,762	-	461,769	6,054,993	-
Total bonds payable	94,981,762	-	7,861,769	87,119,993	7,940,000
Other liabilities					
Compensated absences	99,489	121,935	111,510	109,914	124,000
Employee severance pay	1,534,000	273,798	71,798	1,736,000	57,000
Total other liabilities	1,633,489	395,733	183,308	1,845,914	181,000
Total	\$ 96,615,251	\$ 395,733	\$ 8,045,077	\$ 88,965,907	\$ 8,121,000

For governmental activities, compensated absences and retirement incentives are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following: Future principal and interest requirements for bonded debt are as follows:

2010 Building and Site Series A Bonds - \$4,000,000 issued, due in annual installments of \$1,325,000 to \$1,340,000 through May 1, 2029, interest at 5.50%	\$ 4,000,000
2017 Refunding Bonds - \$15,880,000 issued, due in annual installments of \$1,060,000 to \$2,810,000 through November 1, 2029, interest at 5.00%.	15,880,000
2018 School Building and Site Bonds - \$12,450,000 issued, due in annual installments of \$100,000 to \$1,130,000 through November 1, 2047, interest at 3.13-5.00%.	11,350,000
2020 Building and Site Bonds - \$17,535,000 issued, due in annual installments of \$100,000 to \$4,200,000 through May 1, 2048, interest at .05-5.00%.	17,535,000
2020 Refunding Series A Bonds - \$15,410,000 issued, due in annual installments of \$30,000 to \$5,665,000 through May 1, 2033, interest at 2.00-5.00%.	15,410,000
2020 Refunding Series B Bonds - \$23,125,000 issued, due in annual installments of \$4,620,000 to \$6,480,000 through May 1, 2025, interest at 1.65-1.80%.	16,890,000
Total general obligation bonded debt	<u>\$ 81,065,000</u>

Avondale School District
Notes to the Financial Statements
June 30, 2022

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 7,940,000	\$ 2,936,334	\$ 10,876,334
2024	8,500,000	2,705,954	11,205,954
2025	9,075,000	2,472,181	11,547,181
2026	8,170,000	2,223,963	10,393,963
2027	6,515,000	1,830,588	8,345,588
2028-2032	24,440,000	4,656,140	29,096,140
2033-2037	5,855,000	1,375,631	7,230,631
2038-2042	4,565,000	666,229	5,231,229
2043-2047	5,050,000	113,780	5,163,780
2048	955,000	2,245	957,245
Total	<u>\$ 81,065,000</u>	<u>\$ 18,983,045</u>	<u>\$ 100,048,045</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$371,253 to pay this debt. Future debt and interest will be payable from future tax levies.

Deferred Amount on Refunding

The remaining refunding's resulted in differences between the reacquisition price and the net carrying amount of the old debt. The remaining amount of \$1,382,652 is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2048. There is no defeased debt related to the refunded bonds.

Compensated Absences

Accrued compensated absences at year end, consist of \$109,914 of vacation hours earned and vested. The amount anticipated to be paid over the next year is included within the amounts listed as dues within one year.

Employee Severance Pay

The School District's employee severance pay liability recorded on the district-wide financial statements at June 30, 2022 was approximately \$1,736,000.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is self-insured for dental insurance. According to the provisions of this program, the School District is limited to the contractual amount for dental claims based on individual maximums.

No additional accrual has been recorded as of the end of the prior three fiscal years, due to the School District paying the maximum contractual amounts for all claims submitted. The year end claims reimbursement liability and activity for the year is a follows:

	2022	2021	2020
Claims incurred	\$ 247,785	\$ 249,731	\$ 242,427
Claim payments	<u>(247,785)</u>	<u>(249,731)</u>	<u>(242,427)</u>
Liability end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 11 - Pension Plans and Post-Employment Benefits

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

Avondale School District
Notes to the Financial Statements
June 30, 2022

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— 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 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 a 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%

Avondale School District
Notes to the Financial Statements
June 30, 2022

Required contributions to the pension plan from the School District were \$7,057,004 for the year ending September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$55,643,863 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 30, 2020. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2021, the School District's proportionate share percent was 0.2350 percent, which was an decrease of .0013 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized pension expense of \$7,177,642 for the measurement period. For the reporting period ending June 30, 2022, the School District recognized pension contribution expense of \$8,347,554.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 861,947	\$ (327,676)	\$ 534,271
Changes of assumptions	3,507,590	-	3,507,590
Net difference between projected and actual earnings on pension plan investments	-	(17,889,323)	(17,889,323)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>2,136,915</u>	<u>(405,873)</u>	<u>1,731,042</u>
Total to be recognized in future	6,506,452	(18,622,872)	(12,116,420)
School District contributions subsequent to the measurement date	<u>7,643,903</u>	<u>(3,696,778)</u>	<u>3,947,125</u>
Total	<u>\$ 14,150,355</u>	<u>\$ (22,319,650)</u>	<u>\$ (8,169,295)</u>

Avondale School District

Notes to the Financial Statements

June 30, 2022

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. The District will offset the contribution expense in the year ended June 30, 2023 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)		
2022	\$	546,159
2023		2,488,354
2024		4,206,024
2025		4,875,883
	\$	<u>12,116,420</u>

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

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.

The recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4367 years.

The recognition period for assets is 5 years.

Avondale School District
Notes to the Financial Statements
June 30, 2022

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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:

Asset Class	Long Term	
	Target Allocation	Expected Real Rate of Return*
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	(1.3)
	<u>100.0%</u>	

*Long term rates of return are net of administrative expenses and 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, 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. 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.

Avondale School District
Notes to the Financial Statements
June 30, 2022

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

The following presents the School District's proportionate share of the net pension liability calculated using 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 School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	Current Single Discount Rate Assumption *	
1% Decrease *		1% Increase *
5.8% / 5.8% / 5.0%	6.8% / 6.8% / 6.0%	7.8% / 7.8% / 7.0%
\$ 79,555,633	\$ 55,643,863	\$ 35,819,437

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

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 Comprehensive Annual Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 12 – Postemployment Benefits Other Than Pensions (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— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

Avondale School District
Notes to the Financial Statements
June 30, 2022

premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

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

Employer 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 a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2021.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$1,722,004 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$3,540,711 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 School District's proportion of the

Avondale School District
Notes to the Financial Statements
June 30, 2022

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 School District's proportion was 0.2320 percent, which was an decrease of .0081 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized OPEB expense of \$(1,687,104) for the measurement period. For the reporting period ending June 30, 2022 the School District recognized total OPEB contribution expense of \$1,953,637.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (10,106,709)	\$ (10,106,709)
Changes of assumptions	2,959,859	(442,905)	2,516,954
Net difference between projected and actual earnings on OPEB plan investments	-	(2,668,698)	(2,668,698)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>1,042,157</u>	<u>(525,864)</u>	<u>516,293</u>
Total to be recognized in future	4,002,016	(13,744,176)	(9,742,160)
Employer contributions subsequent to the measurement date	<u>1,641,409</u>	<u>-</u>	<u>1,641,409</u>
Total	<u>\$ 5,643,425</u>	<u>\$ (13,744,176)</u>	<u>\$ (8,100,751)</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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2022	\$ (2,376,487)
2023	(2,202,825)
2024	(2,129,539)
2025	(2,104,398)
2026	(821,176)
Thereafter	<u>(107,735)</u>
	<u>\$ (9,742,160)</u>

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

Avondale School District

Notes to the Financial Statements

June 30, 2022

- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 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: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale 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

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.

The recognition period for liabilities is the average of the expected remaining service lives of all employees is 6.1312 years.

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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:

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

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

Avondale School District
Notes to the Financial Statements
June 30, 2022

Rate of Return

For the plan 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.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School 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	Current	1% Increase
5.95%	Discount Rate	7.95%
	6.95%	
\$ 6,579,281	\$ 3,540,711	\$ 962,051

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School 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	1% Increase
	Cost Trend Rate	
\$ 861,781	\$ 3,540,711	\$ 6,554,831

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2022.

Avondale School District
Notes to the Financial Statements
June 30, 2022

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the City of Auburn Hills, City of Troy, City of Rochester Hills, and Bloomfield Township. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties

For the fiscal year ended June 30, 2022, the School District's General Fund property tax revenues were reduced by \$319,046 under these programs. This reduction was effectually covered by the State of Michigan via adjustments to the state portion of the per pupil foundation allowance.

REQUIRED SUPPLEMENTARY INFORMATION

Avondale School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 8,334,757	\$ 9,032,377	\$ 9,202,550	\$ 170,173
State sources	37,127,138	39,382,342	40,378,418	996,076
Federal sources	2,069,826	4,621,049	2,745,472	(1,875,577)
Interdistrict sources	<u>2,621,289</u>	<u>2,473,795</u>	<u>2,565,773</u>	<u>91,978</u>
Total revenues	<u>50,153,010</u>	<u>55,509,563</u>	<u>54,892,213</u>	<u>(617,350)</u>
Expenditures				
Instruction				
Basic programs	26,531,830	30,043,410	29,998,722	(44,688)
Added needs	6,382,303	6,989,872	6,597,263	(392,609)
Supporting services				
Pupil	3,340,473	4,124,978	3,895,132	(229,846)
Instructional staff	1,417,110	1,510,703	1,556,053	45,350
General administration	635,222	550,243	550,887	644
School administration	3,019,063	2,878,897	2,668,615	(210,282)
Business	805,092	726,980	718,408	(8,572)
Operations and maintenance	3,836,653	4,264,714	4,420,939	156,225
Pupil transportation services	1,556,220	1,684,246	1,497,428	(186,818)
Central	1,922,081	1,923,113	1,875,837	(47,276)
Athletic activities	762,368	713,646	733,359	19,713
Community services	22,059	38,079	10,045	(28,034)
Capital outlay	<u>44,200</u>	<u>5,186</u>	<u>5,134</u>	<u>(52)</u>
Total expenditures	<u>50,274,674</u>	<u>55,454,067</u>	<u>54,527,822</u>	<u>(926,245)</u>
Excess (deficiency) of revenues over expenditures	<u>(121,664)</u>	<u>55,496</u>	<u>364,391</u>	<u>308,895</u>

Avondale School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other financing sources (uses)				
Transfers in	\$ 1,000	\$ -	\$ -	\$ -
Transfers out	<u>-</u>	<u>(1,806)</u>	<u>(1,747)</u>	<u>(59)</u>
Total other financing sources (uses)	<u>1,000</u>	<u>(1,806)</u>	<u>(1,747)</u>	<u>(59)</u>
Net change in fund balance	(120,664)	53,690	362,644	308,954
Fund balance - beginning	<u>10,238,582</u>	<u>10,238,582</u>	<u>10,238,582</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 10,117,918</u></u>	<u><u>\$ 10,292,272</u></u>	<u><u>\$ 10,601,226</u></u>	<u><u>\$ 308,954</u></u>

Avondale School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School District's proportion of net pension liability (%)	0.2350%	0.2363%	0.2287%	0.2184%	0.2147%	0.2195%	0.2280%	0.2225%		
B. School District's proportionate share of net pension liability	\$55,643,863	\$81,176,017	\$75,745,440	\$65,659,272	\$55,634,482	\$54,769,013	\$55,698,711	\$49,001,443		
C. School District's covered payroll	\$21,246,009	\$21,454,399	\$20,579,496	\$18,999,967	\$17,957,969	\$18,202,454	\$19,143,660	\$19,735,345		
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	261.90%	378.37%	368.06%	345.58%	309.80%	300.89%	290.95%	248.29%		
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%		

Note Disclosures

Changes of benefit terms - There were no changes of benefit terms to plan fiscal year 2021.

Changes of benefit assumptions - There were no changes of benefit assumptions in plan fiscal year 2021.

Avondale School District
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	\$ 8,347,554	\$ 7,113,256	\$ 6,473,502	\$ 6,042,622	\$ 5,428,809	\$ 2,827,984	\$ 3,622,235	\$ 4,201,269		
B. Contributions in relation to statutorily required contributions	<u>8,347,554</u>	<u>7,113,256</u>	<u>6,473,502</u>	<u>6,042,622</u>	<u>5,428,809</u>	<u>2,827,984</u>	<u>3,622,235</u>	<u>4,201,269</u>		
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
D. School District's covered payroll	\$ 24,606,222	\$ 20,420,606	\$ 21,415,024	\$ 20,388,748	\$ 18,815,348	\$ 18,302,584	\$ 18,486,725	\$ 19,498,632		
E. Contributions as a percentage of covered payroll	33.92%	34.83%	30.23%	29.64%	28.85%	15.45%	19.59%	21.55%		

Avondale School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School District's proportion of the net OPEB liability (%)	0.2320%	0.2401%	0.2344%	0.2227%	0.2149%					
B. School District's proportionate share of the net OPEB liability	\$ 3,540,711	\$ 12,863,085	\$ 16,827,564	\$ 17,704,052	\$ 19,026,477					
C. School District's covered payroll	\$ 21,246,009	\$ 21,454,399	\$ 20,579,496	\$ 18,999,967	\$ 17,957,969					
D. School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.67%	59.96%	81.77%	93.18%	105.95%					
E. Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%					

Note Disclosures

Changes of benefit terms - There were no changes of benefit terms to plan fiscal year 2021.

Changes of benefit assumptions - There were no changes of benefit assumptions in plan fiscal year 2021.

Avondale School District
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	\$ 1,953,637	\$ 1,736,438	\$ 1,686,537	\$ 1,586,382	\$ 1,198,430					
B. Contributions in relation to statutorily required contributions	<u>1,953,637</u>	<u>1,736,438</u>	<u>1,686,537</u>	<u>1,586,382</u>	<u>1,198,430</u>					
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
D. School District's covered payroll	\$ 24,606,222	\$ 20,420,606	\$ 21,415,024	\$ 20,388,748	\$ 18,815,348					
E. Contributions as a percentage of covered payroll	7.94%	8.50%	7.88%	7.78%	6.37%					

OTHER SUPPLEMENTARY INFORMATION

Avondale School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds		Debt Service Funds			
	Food Service	Student/School Activities	2009	2010 Series A	2010 Series B	2015 Series A
Assets						
Cash	\$ 871,702	\$ 439,414	\$ -	\$ 79,013	\$ -	\$ -
Due from other funds	2,038	-	-	-	-	-
Due from other governmental units	52,688	-	-	-	-	-
Inventory	34,984	-	-	-	-	-
Total assets	\$ 961,412	\$ 439,414	\$ -	\$ 79,013	\$ -	\$ -
Liabilities						
Accounts payable	\$ 59,722	\$ 6,900	\$ -	\$ -	\$ -	\$ -
Unearned revenue	72,015	-	-	-	-	-
Total liabilities	131,737	6,900	-	-	-	-
Fund balances						
Nonspendable						
Inventory	34,984	-	-	-	-	-
Restricted for						
Food service	794,691	-	-	-	-	-
Debt service	-	-	-	79,013	-	-
Capital projects	-	-	-	-	-	-
Committed for						
Student and school activities	-	432,514	-	-	-	-
Total fund balances	829,675	432,514	-	79,013	-	-
Total liabilities and fund balances	\$ 961,412	\$ 439,414	\$ -	\$ 79,013	\$ -	\$ -

Avondale School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Debt Service Funds						Capital Project Funds		Total Nonmajor Governmental Funds
	2015 Series B	2017 Refunding Bond	2018 Building & Site Bond	2020 Building & Site Bond	2020 Series A	2020 Series B	Sinking	2018 Capital Projects	
Assets									
Cash	\$ -	\$ 20,034	\$ 158,138	\$ 98,839	\$ 15,229	\$ -	\$ 1,799,221	\$ -	\$ 3,481,590
Due from other funds	-	-	-	-	-	-	-	-	2,038
Due from other governmental units	-	-	-	-	-	-	-	-	52,688
Inventory	-	-	-	-	-	-	-	-	34,984
Total assets	<u>\$ -</u>	<u>\$ 20,034</u>	<u>\$ 158,138</u>	<u>\$ 98,839</u>	<u>\$ 15,229</u>	<u>\$ -</u>	<u>\$ 1,799,221</u>	<u>\$ -</u>	<u>\$ 3,571,300</u>
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,247	\$ -	\$ 199,869
Unearned revenue	-	-	-	-	-	-	-	-	72,015
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,247</u>	<u>-</u>	<u>271,884</u>
Fund balances									
Nonspendable									
Inventory	-	-	-	-	-	-	-	-	34,984
Restricted for									
Food service	-	-	-	-	-	-	-	-	794,691
Debt service	-	20,034	158,138	98,839	15,229	-	-	-	371,253
Capital projects	-	-	-	-	-	-	1,665,974	-	1,665,974
Committed for									
Student and school activities	-	-	-	-	-	-	-	-	432,514
Total fund balances	<u>-</u>	<u>20,034</u>	<u>158,138</u>	<u>98,839</u>	<u>15,229</u>	<u>-</u>	<u>1,665,974</u>	<u>-</u>	<u>3,299,416</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 20,034</u>	<u>\$ 158,138</u>	<u>\$ 98,839</u>	<u>\$ 15,229</u>	<u>\$ -</u>	<u>\$ 1,799,221</u>	<u>\$ -</u>	<u>\$ 3,571,300</u>

Avondale School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	Special Revenue Funds		Debt Service Funds			
	Food Service	Student/School Activities	2009	2010 Series A	2010 Series B	2015 Series A
Revenues						
Local sources	\$ 15,525	\$ 409,121	\$ 1,403,715	\$ 185,859	\$ -	\$ 1,933,366
State sources	51,967	-	-	-	-	-
Federal sources	1,819,606	-	-	92,980	-	-
Total revenues	1,887,098	409,121	1,403,715	278,839	-	1,933,366
Expenditures						
Current						
Education						
Student and school activities	-	402,639	-	-	-	-
Food services	1,421,751	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	-	-	1,340,000	-	-	1,890,000
Interest and other expenditures	-	-	57,770	221,100	-	65,500
Total expenditures	1,421,751	402,639	1,397,770	221,100	-	1,955,500
Excess (deficiency) of revenues over expenditures	465,347	6,482	5,945	57,739	-	(22,134)
Other financing sources (uses)						
Transfers in	1,748	-	-	-	-	-
Transfers out	-	-	(5,945)	(70,000)	(163,742)	(11,641)
Total other financing sources (uses)	1,748	-	(5,945)	(70,000)	(163,742)	(11,641)
Net change in fund balance	467,095	6,482	-	(12,261)	(163,742)	(33,775)
Fund balances - beginning	362,580	426,032	-	91,274	163,742	33,775
Fund balances - ending	\$ 829,675	\$ 432,514	\$ -	\$ 79,013	\$ -	\$ -

Avondale School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	Debt Service Funds						Capital Project Funds	Total Nonmajor Governmental Funds
	2015 Series B	2017 Refunding Bond	2018 Building & Site Bond	2020 Building & Site Bond	2020 Series A	2020 Series B	Sinking	2018 Capital Projects
Revenues								
Local sources	\$ -	\$ 814,534	\$ 1,214,805	\$ 614,804	\$ 585,772	\$ 3,681,704	\$ 1,323,931	\$ 20,789
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Total revenues	-	814,534	1,214,805	614,804	585,772	3,681,704	1,323,931	20,789
Expenditures								
Current								
Education								
Student and school activities	-	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	1,015,134	82,477
Debt service								
Principal	-	-	740,000	-	-	3,430,000	-	-
Interest and other expenditures	-	794,500	446,275	554,763	729,800	343,775	-	-
Total expenditures	-	794,500	1,186,275	554,763	729,800	3,773,775	1,015,134	82,477
Excess (deficiency) of revenues over expenditures	-	20,034	28,530	60,041	(144,028)	(92,071)	308,797	(61,688)
Other financing sources (uses)								
Transfers in	-	-	36,742	-	163,742	92,071	-	-
Transfers out	(36,743)	-	-	-	(4,485)	-	-	-
Total other financing sources (uses)	(36,743)	-	36,742	-	159,257	92,071	-	-
Net change in fund balance	(36,743)	20,034	65,272	60,041	15,229	-	308,797	(61,688)
Fund balances - beginning	36,743	-	92,866	38,798	-	-	1,357,177	61,688
Fund balances - ending	\$ -	\$ 20,034	\$ 158,138	\$ 98,839	\$ 15,229	\$ -	\$ 1,665,974	\$ -

Avondale School District
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2022

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 5,503,020	\$ 12,437,884
Accounts receivable	98,484	71,524
Due from other governmental units	8,897,187	7,914,773
Investments	4,948,352	-
Prepaid items	<u>331,960</u>	<u>271,378</u>
 Total assets	 <u>\$ 19,779,003</u>	 <u>\$ 20,695,559</u>
 Liabilities		
Accounts payable	\$ 976,265	\$ 713,217
Due to other funds	2,038	2,038
Due to other governmental units	1,177,535	1,029,077
Payroll deductions and withholdings	573,068	478,911
Accrued salaries payable	4,707,228	6,438,807
Unearned revenue	<u>1,180,110</u>	<u>1,490,511</u>
 Total liabilities	 <u>8,616,244</u>	 <u>10,152,561</u>
 Deferred Inflows of Resources		
Unavailable grant receivables	<u>561,533</u>	<u>304,416</u>

Avondale School District
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2022

	<u>2022</u>	<u>2021</u>
Fund Balance		
Nonspendable		
Prepaid items	\$ 331,960	\$ 271,378
Committed for future dental claims	7,705	19,945
Assigned for		
Budgeted excess expenditures over revenues	15,741	1,826,106
Unassigned	<u>10,245,820</u>	<u>8,121,153</u>
 Total fund balance	 <u>10,601,226</u>	 <u>10,238,582</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 19,779,003</u>	 <u>\$ 20,695,559</u>

Avondale School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2022

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2010 Building & Site Series A Bonds					
2023	5.50	\$ 110,000	\$ 110,000	\$ -	\$ 220,000
2024	5.50	110,000	110,000	-	220,000
2025	5.50	110,000	110,000	-	220,000
2026	5.50	110,000	110,000	-	220,000
2027	5.50	110,000	110,000	1,325,000	1,545,000
2028	5.50	73,563	73,563	1,335,000	1,482,125
2029	5.50	36,850	36,850	1,340,000	1,413,700
		<u>\$ 660,413</u>	<u>\$ 660,413</u>	<u>\$ 4,000,000</u>	<u>\$ 5,320,825</u>
2017 Refunding Bonds					
2023	5.00	\$ 397,000	\$ 342,250	\$ 2,190,000	\$ 2,929,250
2024	5.00	342,250	284,500	2,310,000	2,936,750
2025	5.00	284,500	224,125	2,415,000	2,923,625
2026	5.00	224,125	164,000	2,405,000	2,793,125
2027	5.00	164,000	121,500	2,690,000	2,975,500
2028	5.00	96,750	62,000	2,810,000	2,968,750
2029	5.00	26,500	13,375	1,060,000	1,099,875
		<u>\$ 1,535,125</u>	<u>\$ 1,211,750</u>	<u>\$ 15,880,000</u>	<u>\$ 18,626,875</u>

Avondale School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2022

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2018 Building & Site Bonds					
2023	5.00	\$ 213,638	\$ 185,388	\$ 1,130,000	\$ 1,529,026
2024	5.00	185,388	175,388	400,000	760,776
2025	5.00	175,388	175,388	-	350,776
2026	5.00	175,388	175,388	-	350,776
2027	5.00	175,388	175,388	-	350,776
2028	5.00	175,388	175,388	-	350,776
2029	5.00	175,388	175,388	-	350,776
2030	5.00	175,388	162,888	500,000	838,276
2031	4.00	162,888	152,888	500,000	815,776
2032	3.13	152,888	142,888	500,000	795,776
2033	3.25	142,888	135,075	500,000	777,963
2034	3.25	135,075	126,950	500,000	762,025
2035	3.25	126,950	118,825	500,000	745,775
2036	3.38	118,825	113,138	750,000	981,963
2037	3.50	106,838	100,481	750,000	957,319
2038	3.50	93,481	87,356	750,000	930,837
2039	3.50	80,356	73,767	750,000	904,123
2040	3.50	67,231	61,106	750,000	878,337
2041	3.50	54,106	47,981	750,000	852,087
2042	3.50	40,981	34,856	710,000	785,837
2043	3.50	28,556	22,431	700,000	750,987
2044	3.63	16,306	11,056	510,000	537,362
2045	3.63	7,250	5,438	100,000	112,688
2046	3.63	5,438	3,625	100,000	109,063
2047	3.63	3,625	1,813	100,000	105,438
2048	3.63	1,813	-	100,000	101,813
		\$ 2,796,849	\$ 2,640,278	\$ 11,350,000	\$ 16,787,127

Avondale School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2022

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2020 Building and Site Bonds					
2023	5.00	\$ 277,131	\$ 277,131	\$ -	\$ 554,262
2024	5.00	277,131	277,131	-	554,262
2025	5.00	277,131	277,131	-	554,262
2026	5.00	277,131	277,131	100,000	654,262
2027	5.00	274,631	274,631	-	549,262
2028	5.00	274,631	274,631	-	549,262
2029	5.00	274,631	274,631	1,000,000	1,549,262
2030	5.00	249,631	232,131	4,200,000	4,681,762
2031	5.00	144,631	129,631	3,600,000	3,874,262
2032	4.00	54,631	48,631	1,530,000	1,633,262
2033	2.00	24,031	24,031	840,000	888,062
2034	2.25	15,631	15,631	340,000	371,262
2035	2.25	11,806	11,806	365,000	388,612
2036	2.25	7,700	7,700	140,000	155,400
2037	2.25	6,125	6,125	170,000	182,250
2038	1.50	4,213	4,213	100,000	108,426
2039	1.50	3,463	3,463	135,000	141,926
2040	1.50	2,450	2,450	165,000	169,900
2041	0.05	1,213	1,213	190,000	192,426
2042	0.05	1,165	1,165	265,000	267,330
2043	0.05	1,099	1,099	300,000	302,198
2044	0.05	1,024	1,024	510,000	512,048
2045	0.05	896	896	920,000	921,792
2046	0.05	666	666	920,000	921,332
2047	0.05	436	436	890,000	890,872
2048	0.05	216	216	855,000	855,432
		\$ 2,463,444	\$ 2,424,944	\$ 17,535,000	\$ 22,423,388

Avondale School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2022

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2020 Refunding Series A Bonds					
2023	5.00	\$ 364,900	\$ 364,900	\$ -	\$ 729,800
2024	5.00	364,900	364,900	-	729,800
2025	5.00	364,900	364,900	180,000	909,800
2026	5.00	360,400	350,400	5,665,000	6,375,800
2027	5.00	218,775	206,275	2,500,000	2,925,050
2028	5.00	156,275	136,275	2,630,000	2,922,550
2029	5.00	90,525	53,025	2,335,000	2,478,550
2030	5.00	32,150	32,150	-	64,300
2031	5.00	32,150	32,150	30,000	94,300
2032	4.00	31,400	31,400	1,070,000	1,132,800
2033	2.00	10,000	10,000	1,000,000	1,020,000
		<u>\$ 2,026,375</u>	<u>\$ 1,946,375</u>	<u>\$ 15,410,000</u>	<u>\$ 19,382,750</u>
2020 Refunding Series B Bonds					
2023	1.65	\$ 146,998	\$ 146,998	\$ 4,620,000	\$ 4,913,996
2024	1.75	108,883	105,483	5,790,000	6,004,366
2025	1.80	58,319	50,399	6,480,000	6,588,718
		<u>\$ 314,200</u>	<u>\$ 302,880</u>	<u>\$ 16,890,000</u>	<u>\$ 17,507,080</u>