

CENTRAL LAKE PUBLIC SCHOOLS

CENTRAL LAKE, MICHIGAN

JUNE 30, 2022



Baird, Cotter & Bishop, P.C.
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CERTIFIED PUBLIC ACCOUNTANTS
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CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

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August 1, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Central Lake Public Schools
Central Lake, 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 Central Lake Public Schools, Central Lake, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Lake Public School's ability

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Central Lake Public School'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Lake Public School'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 and required supplementary information, as identified in the table of contents, on pages iv-xii and 38-43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Lake Public School's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2022, on our consideration of Central Lake Public School'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 Central Lake Public School'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 Central Lake Public School's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CENTRAL LAKE PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

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

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

Financial Highlights Section

Government-wide

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$432,459 creating a deficit net position amount. Of this amount net capital assets net of related debt was a positive \$2,827,568.
- The government’s total net deficit decreased by \$687,794.

Fund Level

- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$2,564,934, an increase of \$284,047 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,452,559.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District’s overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District’s assets and liabilities. All of the year’s revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District’s net position and how they have changed. Net position, the difference between the District’s assets and liabilities, is one way to measure the District’s financial health or position.

Over time, increases and decreases in the District’s net position are indicators of whether its financial position is improving or deteriorating, respectively.

CENTRAL LAKE PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities, including regular and special education, transportation, administration, food services, athletic activities, and community services, are primarily financed with state and federal aid and property taxes.

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called “non-major” funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds – The District’s basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – Fiduciary funds are for assets that belong to others, such as certain student activities funds where the District is the trustee or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

The District maintains one type of fiduciary fund. The Private Purpose Trust Fund accounts for assets where the principal is considered non-expendable and a portion of the earnings may be spent.

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-37 of this report.

Other Information

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

Summary of Net Position

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

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|---------------------|-----------------------|
| Assets | | |
| Current Assets | \$ 3,882,756 | \$ 3,100,268 |
| Non Current Assets | | |
| Capital Assets | 7,826,462 | 7,755,522 |
| Less Accumulated Depreciation | (4,941,765) | (4,741,859) |
| Total Non Current Assets | <u>2,884,697</u> | <u>3,013,663</u> |
| Total Assets | <u>6,767,453</u> | <u>6,113,931</u> |
| Deferred Outflows of Resources | <u>1,159,643</u> | <u>1,584,934</u> |
| Liabilities | | |
| Current Liabilities | 1,358,705 | 859,661 |
| Non Current Liabilities | <u>4,247,912</u> | <u>6,472,415</u> |
| Total Liabilities | <u>5,606,617</u> | <u>7,332,076</u> |
| Deferred Inflows of Resources | <u>2,752,938</u> | <u>1,487,042</u> |
| Net Position | | |
| Net Investment in Capital Assets | 2,827,568 | 2,933,663 |
| Restricted for Debt Service | 17,519 | 12,617 |
| Restricted for Capital Projects | 545,999 | 567,155 |
| Unrestricted (Deficit) | <u>(3,823,545)</u> | <u>(4,633,688)</u> |
| Total Net Position (Deficit) | <u>\$ (432,459)</u> | <u>\$ (1,120,253)</u> |

CENTRAL LAKE PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

Analysis of Financial Position

During the fiscal year ended June 30, 2022, the District’s net position increased by \$687,794. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2022, \$222,898 was recorded for depreciation expense.

2. Pension and Other Postemployment Benefits Expense

GASB 68 and 75 now require the District to account for its payments to the Michigan Public School Employees’ Retirement System in a manner that has significant effect on the District’s change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District’s proportionate share of the net pension and net other postemployment benefit liabilities increases or decreases in any given year.

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2022, \$93,932 of expenditures were capitalized and recorded as assets of the District. These additions to the District’s capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year’s depreciation is a decrease to net capital assets in the amount of \$128,966 for the fiscal year ended June 30, 2022.

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Change in Net Position

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

| | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------------|-------------------|
| General Revenues | | |
| Property Taxes | \$ 3,027,466 | \$ 2,956,615 |
| Regional Enhancement Millage | 215,568 | 202,082 |
| Interest Earnings | 5,918 | 6,081 |
| State Sources | 56,642 | 54,935 |
| Other | 16,670 | 16,326 |
| Total General Revenues | <u>3,322,264</u> | <u>3,236,039</u> |
| Program Revenues | | |
| Charges for Services | 135,630 | 92,967 |
| Operating Grants | 1,906,837 | 1,372,080 |
| Total Program Revenues | <u>2,042,467</u> | <u>1,465,047</u> |
| Total Revenues | <u>5,364,731</u> | <u>4,701,086</u> |
| Expenses | | |
| Instruction | 2,227,654 | 1,895,373 |
| Supporting Services | 1,356,121 | 1,277,317 |
| Other Activities | 232,578 | 191,226 |
| Food Service Activities | 276,207 | 178,300 |
| Community Services | 262,786 | 148,614 |
| Capital Outlay | 78,762 | 26,403 |
| Interest on Long-Term Debt | 2,783 | 2,880 |
| Bond Issuance Costs | 17,148 | 0 |
| Unallocated Depreciation | 222,898 | 233,918 |
| Total Expenses | <u>4,676,937</u> | <u>3,954,031</u> |
| Change in Net Position | <u>\$ 687,794</u> | <u>\$ 747,055</u> |

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Financial Analysis of the District's Funds

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

| | <u>2022</u> | <u>2021</u> | <u>Increase (Decrease)</u> |
|---|---------------------|---------------------|--------------------------------|
| Major Funds | | | |
| General Fund | \$ 1,630,477 | \$ 1,534,021 | \$ 96,456 |
| 2006 Sinking Capital Projects Fund | 172,503 | 339,736 | (167,233) |
| Nonmajor Funds | | | |
| Food Service Fund | 103,965 | 71,767 | 32,198 |
| School Activity Fund | 93,220 | 95,047 | (1,827) |
| 2017 School Bus Bonds Debt Service Fund | 18,402 | 12,897 | 5,505 |
| 2018 Sinking Capital Projects Fund | 373,496 | 227,419 | 146,077 |
| 2022 School Bus Capital Projects Fund | <u>172,871</u> | <u>0</u> | <u>172,871</u> |
| Total Governmental Funds | <u>\$ 2,564,934</u> | <u>\$ 2,280,887</u> | <u>\$ 284,047</u> |

In 2021-2022, the General Fund balance increased by \$96,456 primarily due to an increase of revenues. Major revenue increases include an increase of approximately \$60,000 of COVID related federal revenue grant income as well as an increase in state revenue of approximately \$145,000.

The 2006 Sinking Fund balance decreased due to purchasing capital outlay totaling \$167,544.

The Food Service Fund balance increased due to increased federal revenue of approximately \$104,000.

The School Activity Fund balance decreased due to an increase in expenditures. School activities were able to resume this year after being put on hold due to COVID-19.

The 2017 School Bus Bonds Debt Service Fund increased its fund balance due to current year tax revenue being greater than current year debt service payment requirements.

The 2018 Sinking Fund balance increased its fund balance due to current year tax revenue being greater than the current capital outlay expense of \$0.

The 2022 School Bud Capital Projects Fund balance increased its fund balance due the face value of debt being greater than current bond issuance costs of \$17,148.

CENTRAL LAKE PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 17.4874 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year’s Consumer’s Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property’s market value.

For the 2021-2022 fiscal year, the District levied \$2,834,857 in non-homestead property taxes for general operating purposes.

2. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

| <u>Fiscal Year</u> | <u>Blended Student FTE</u> |
|--------------------|--------------------------------|
| 2021-2022 | 267 |
| 2020-2021 | 278 |
| 2019-2020 | 280 |
| 2018-2019 | 286 |
| 2017-2018 | 281 |

3. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2022, federal, state, and other grants totaled \$1,906,837.

General Fund Budgetary Highlights

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

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET OVER (UNDER) |
|---------------------|---------------------|---------------------|---------------------|---|
| <u>REVENUES</u> | <u>\$ 4,560,356</u> | <u>\$ 4,852,531</u> | <u>\$ 4,842,372</u> | <u>\$ (10,159)</u> |
| <u>EXPENDITURES</u> | | | | |
| Instruction | \$ 2,610,942 | \$ 2,688,047 | \$ 2,679,089 | \$ (8,958) |
| Supporting Services | 1,673,563 | 1,804,043 | 1,804,041 | (2) |
| Community Services | 240,025 | 265,064 | 262,786 | (2,278) |
| Total | <u>\$ 4,524,530</u> | <u>\$ 4,757,154</u> | <u>\$ 4,745,916</u> | <u>\$ (11,238)</u> |

The difference between the original and final budgeted revenue and expenditure amounts were a result of budget amendments being made as it became clearer on the amounts the District would receive and expend. The difference between final budget compared to actual was minimal.

Capital Asset and Debt Administration

Capital Assets. By the end of the 2021-2022 fiscal year, the District had invested over \$7.8 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$222,898 bringing the accumulation to \$4.9 million as of June 30, 2022.

Major capital asset events during the fiscal year included the following:

- ❖ Building improvements at a cost of \$80,802.
- ❖ Dishwasher at a cost of \$5,150.
- ❖ Land improvements at a cost of \$7,980.

In addition to above, the District has also committed to purchasing various pieces of equipment at a total cost of \$217,851.

Additional information regarding the District's capital assets can be found in the Notes to Financial Statements section.

Long-Term Obligations. At June 30, 2022, the District had total net pension liability, net other postemployment benefits liability, compensated absences, and school bus bond payable outstanding of \$4,287,912.

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Factors Bearing on the District’s Future

At the time that these financial statements were prepared and audited, the District was aware of the following factors that have had an impact on finances and could have a significant effect on the District’s financial stability in the future:

- The District is out-of-formula and receives the majority of funding directly from the taxpayers through annual tax levies. There is a direct impact on taxable value changes on the District’s financial condition. The 2022 levy indicates that taxable values are increasing and will help add operating purchasing power for the district in the coming school year.
- In May 2018, voters in the Charlevoix-Emmet ISD boundaries voted to approve a 10-year Regional Enhancement Millage. Central Lake Public School will receive a per pupil allocation from the ISD based on ISD-wide millage dollars collected divided by total ISD-wide student count figures.
- COVID-19 is still in the forefront of the current economic condition of the country, as well as soaring inflation. The Federal Government has provided additional grant funds to help support schools through the COVID-19 crisis. These ESSER grants are to be used to continue to provide services to all students to support their educational and emotional needs. The District realizes that they must be diligent in their use of these funds to make sure they can sustain the programming once the ESSER grant funds have been depleted. A majority of these funds have been spent already. The remaining portion will likely all be spent in the 2022/2023 school year.
- The buildings are old and showing signs of deterioration. Ongoing repairs are significant and costly so the District is in the process of considering presenting the voters with a bond to repair the buildings.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Central Lake Public Schools, 8190 W. State Street, P.O. Box 128, Central Lake, Michigan 49622.

CENTRAL LAKE PUBLIC SCHOOLS

CENTRAL LAKE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

ASSETS

CURRENT ASSETS

| | |
|----------------------------|--------------|
| Cash | \$ 3,579,110 |
| Cash - Restricted | 190,019 |
| Accounts Receivable | 1,565 |
| Due from Other Governments | 97,347 |
| Prepaid Expenses | 6,123 |
| Inventories | 8,592 |

| | |
|----------------------|------------------|
| Total Current Assets | <u>3,882,756</u> |
|----------------------|------------------|

NON CURRENT ASSETS

| | |
|-------------------------------|--------------------|
| Capital Assets | 7,826,462 |
| Less Accumulated Depreciation | <u>(4,941,765)</u> |

| | |
|--------------------------|------------------|
| Total Non Current Assets | <u>2,884,697</u> |
|--------------------------|------------------|

| | |
|--------------|------------------|
| TOTAL ASSETS | <u>6,767,453</u> |
|--------------|------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|----------------|
| Deferred Outflows Related to Pensions | 831,971 |
| Deferred Outflows Related to Other Postemployment Benefits | <u>327,672</u> |

| | |
|--------------------------------------|------------------|
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>1,159,643</u> |
|--------------------------------------|------------------|

LIABILITIES

CURRENT LIABILITIES

| | |
|--|---------------|
| Accounts Payable | 17,645 |
| Salaries Payable | 236,505 |
| Accrued Expenses | 156,868 |
| Accrued Interest Payable | 883 |
| Unearned Revenue | 904,780 |
| Due to Other Governments | 2,024 |
| Current Portion of Non Current Liabilities | <u>40,000</u> |

| | |
|---------------------------|------------------|
| Total Current Liabilities | <u>1,358,705</u> |
|---------------------------|------------------|

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

CENTRAL LAKE PUBLIC SCHOOLS

CENTRAL LAKE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

NON CURRENT LIABILITIES

| | |
|---|-----------------|
| Compensated Absences | 25,697 |
| Net Pension Liability | 3,786,345 |
| Net Other Postemployment Benefits Liability | 245,870 |
| Bonds Payable | 230,000 |
| Less Current Portion of Non Current Liabilities | <u>(40,000)</u> |

| | |
|-------------------------------|------------------|
| Total Non Current Liabilities | <u>4,247,912</u> |
|-------------------------------|------------------|

| | |
|-------------------|------------------|
| TOTAL LIABILITIES | <u>5,606,617</u> |
|-------------------|------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|---|------------------|
| Deferred Inflows Related to Pensions | 1,720,415 |
| Deferred Inflows Related to Other Postemployment Benefits | <u>1,032,523</u> |

| | |
|-------------------------------------|------------------|
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>2,752,938</u> |
|-------------------------------------|------------------|

NET POSITION

| | |
|----------------------------------|--------------------|
| Net Investment in Capital Assets | 2,827,568 |
| Restricted for Debt Service | 17,519 |
| Restricted for Capital Projects | 545,999 |
| Unrestricted (Deficit) | <u>(3,823,545)</u> |

| | |
|------------------------------|---------------------|
| TOTAL NET POSITION (DEFICIT) | <u>\$ (432,459)</u> |
|------------------------------|---------------------|

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

CENTRAL LAKE PUBLIC SCHOOLS

CENTRAL LAKE, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | GOVERNMENTAL |
|---|------------------|------------------|------------------|------------------|
| | | CHARGES FOR | OPERATING | ACTIVITIES |
| | | SERVICES | GRANTS | NET (EXPENSES) |
| | | | | REVENUES AND |
| | | | | CHANGE IN |
| | | | | NET POSITION |
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| Instruction | \$ 2,227,654 | \$ 0 | \$ 621,553 | \$ (1,606,101) |
| Supporting Services | 1,356,121 | 31,965 | 598,322 | (725,834) |
| Other Activities | 232,578 | 14,328 | 2,744 | (215,506) |
| Food Service Activities | 276,207 | 9,483 | 295,517 | 28,793 |
| Community Services | 262,786 | 79,854 | 388,701 | 205,769 |
| Capital Outlay | 78,762 | 0 | 0 | (78,762) |
| Interest on Long-Term Debt | 2,783 | 0 | 0 | (2,783) |
| Bond Issuance Costs | 17,148 | 0 | 0 | (17,148) |
| Unallocated Depreciation | 222,898 | 0 | 0 | (222,898) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 4,676,937 | \$ 135,630 | \$ 1,906,837 | (2,634,470) |
| <u>GENERAL REVENUES</u> | | | | |
| Property Taxes - General Purposes | | | | 2,834,857 |
| Property Taxes - Debt Fund | | | | 47,482 |
| Property Taxes - Sinking Fund | | | | 145,127 |
| Regional Enhancement Millage | | | | 215,568 |
| Interest Earnings | | | | 5,918 |
| State Sources | | | | 56,642 |
| Other | | | | 16,670 |
| Total General Revenues | | | | 3,322,264 |
| Change in Net Position | | | | 687,794 |
| <u>NET POSITION</u> - Beginning of Year - (Deficit) | | | | (1,120,253) |
| <u>NET POSITION</u> - End of Year (Deficit) | | | | \$ (432,459) |

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

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2022

| | GENERAL FUND | 2006 SINKING CAPITAL PROJECTS FUND | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|------------------|---|--|--------------------------------|
| <u>ASSETS</u> | | | | |
| Cash | \$ 2,812,036 | \$ 180,729 | \$ 586,345 | \$ 3,579,110 |
| Cash - Restricted | 0 | 0 | 190,019 | 190,019 |
| Accounts Receivable | 1,565 | 0 | 0 | 1,565 |
| Due from Other Funds | 33,000 | 0 | 16,603 | 49,603 |
| Due from Other Governments | 95,168 | 0 | 2,179 | 97,347 |
| Prepaid Expenditures | 6,123 | 0 | 0 | 6,123 |
| Inventories | 0 | 0 | 8,592 | 8,592 |
| TOTAL ASSETS | \$ 2,947,892 | \$ 180,729 | \$ 803,738 | \$ 3,932,359 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | \$ 2,659 | \$ 4,652 | \$ 10,334 | \$ 17,645 |
| Salaries Payable | 236,505 | 0 | 0 | 236,505 |
| Accrued Expenses | 156,868 | 0 | 0 | 156,868 |
| Due to Other Funds | 16,603 | 3,574 | 29,426 | 49,603 |
| Due to Other Governments | 0 | 0 | 2,024 | 2,024 |
| Unearned Revenue | 904,780 | 0 | 0 | 904,780 |
| Total Liabilities | 1,317,415 | 8,226 | 41,784 | 1,367,425 |
| <u>FUND BALANCES</u> | | | | |
| Nonspendable: | | | | |
| Prepaid Expenditures | 6,123 | 0 | 0 | 6,123 |
| Inventories | 0 | 0 | 8,592 | 8,592 |
| Restricted: | | | | |
| Food Service | 0 | 0 | 95,373 | 95,373 |
| Debt Service | 0 | 0 | 18,402 | 18,402 |
| Capital Projects | 0 | 172,503 | 546,367 | 718,870 |
| Committed: | | | | |
| School Activities | 0 | 0 | 93,220 | 93,220 |
| Assigned: | | | | |
| Green Revolving Fund | 23,899 | 0 | 0 | 23,899 |
| Subsequent Year Budget Shortfall | 147,896 | 0 | 0 | 147,896 |
| Unassigned | 1,452,559 | 0 | 0 | 1,452,559 |
| Total Fund Balances | 1,630,477 | 172,503 | 761,954 | 2,564,934 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,947,892 | \$ 180,729 | \$ 803,738 | \$ 3,932,359 |

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

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

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

JUNE 30, 2022

| | | |
|---|--------------------|---------------------|
| Total Governmental Fund Balances | | \$ 2,564,934 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | | |
| The cost of the capital assets is | \$ 7,826,462 | |
| Accumulated depreciation is | <u>(4,941,765)</u> | 2,884,697 |
| Accrued interest is not included as a liability in governmental funds, it is recorded when paid. | | (883) |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. | | |
| Compensated Absences | | (25,697) |
| Net Pension Liability | | (3,786,345) |
| Net Other Postemployment Benefits Liability | | (245,870) |
| Bonds Payable | | (230,000) |
| Deferred outflows and (inflows) of resources related to pensions and other postemployment benefits are applicable to future periods and , therefore, are not revenues and expenses. | | |
| Deferred Outflows of Resources - Related to Pensions | | 831,971 |
| Deferred Inflows of Resources - Related to Pensions | | (1,720,415) |
| Deferred Outflows of Resources - Related to OPEB | | 327,672 |
| Deferred Inflows of Resources - Related to OPEB | | <u>(1,032,523)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | | <u>\$ (432,459)</u> |

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

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

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

YEAR ENDED JUNE 30, 2022

| | GENERAL FUND | 2006 SINKING CAPITAL PROJECTS FUND | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-----------------|---|--|--------------------------------|
| <u>REVENUES</u> | | | | |
| Local Sources | \$ 3,283,229 | \$ 311 | \$ 270,378 | \$ 3,553,918 |
| State Sources | 609,566 | 0 | 6,526 | 616,092 |
| Federal Sources | 462,540 | 0 | 288,797 | 751,337 |
| Other Transactions | 487,037 | 0 | 0 | 487,037 |
| Total Revenues | 4,842,372 | 311 | 565,701 | 5,408,384 |
| <u>EXPENDITURES</u> | | | | |
| Instruction | | | | |
| Basic Programs | 2,221,285 | 0 | 0 | 2,221,285 |
| Added Needs | 369,130 | 0 | 0 | 369,130 |
| Career and Technical Education | 88,674 | 0 | 0 | 88,674 |
| Supporting Services | | | | |
| Pupil | 115,141 | 0 | 0 | 115,141 |
| Instructional Staff | 102,325 | 0 | 0 | 102,325 |
| General Administration | 313,517 | 0 | 0 | 313,517 |
| School Administration | 171,366 | 0 | 0 | 171,366 |
| Business | 66,559 | 0 | 0 | 66,559 |
| Operation and Maintenance | 645,154 | 0 | 0 | 645,154 |
| Pupil Transportation Services | 125,781 | 0 | 0 | 125,781 |
| Central | 100,665 | 0 | 0 | 100,665 |
| Other | 163,533 | 0 | 69,489 | 233,022 |
| Food Service Activities | 0 | 0 | 272,060 | 272,060 |
| Community Services | 262,786 | 0 | 0 | 262,786 |
| Capital Outlay | 0 | 167,544 | 0 | 167,544 |
| Debt Service | | | | |
| Principal | 0 | 0 | 40,000 | 40,000 |
| Interest and Fees | 0 | 0 | 2,180 | 2,180 |
| Bond Issuance Costs | 0 | 0 | 17,148 | 17,148 |
| Total Expenditures | 4,745,916 | 167,544 | 400,877 | 5,314,337 |
| Excess (Deficiency) of Revenues Over Expenditures | 96,456 | (167,233) | 164,824 | 94,047 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Face Value of Debt | 0 | 0 | 190,000 | 190,000 |
| Net Change in Fund Balance | 96,456 | (167,233) | 354,824 | 284,047 |
| <u>FUND BALANCES</u> - Beginning of Year | 1,534,021 | 339,736 | 407,130 | 2,280,887 |
| <u>FUND BALANCES</u> - End of Year | \$ 1,630,477 | \$ 172,503 | \$ 761,954 | \$ 2,564,934 |

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

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

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

YEAR ENDED JUNE 30, 2022

| | |
|--|------------|
| Net Change in Fund Balances Total Governmental Funds | \$ 284,047 |
|--|------------|

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the Statement of Activities.
These costs are allocated over their estimated useful lives as depreciation.

| | |
|----------------------|-----------|
| Depreciation Expense | (222,898) |
| Capital Outlay | 93,932 |

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

| | |
|--|-------|
| Accrued Interest Payable - Beginning of Year | 280 |
| Accrued Interest Payable - End of Year | (883) |

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transaction that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

| | |
|-------------------|-----------|
| Issuance of Debt | (190,000) |
| Payments on Bonds | 40,000 |

Employees Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

| | |
|--|----------|
| Compensated Absences - Beginning of Year | 28,259 |
| Compensated Absences - End of Year | (25,697) |

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

| | |
|---|---------|
| Change in Pension Related Items | 400,499 |
| Change in Other Postemployment Benefits Related Items | 323,908 |

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement date.

| | |
|---|-----------------|
| Change in State Aid Funding for Pension | <u>(43,653)</u> |
|---|-----------------|

| | |
|---|--------------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 687,794</u></u> |
|---|--------------------------|

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

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2022

| | <u>PRIVATE PURPOSE TRUST FUND</u> |
|---------------------------------|---|
| <u>ASSETS</u> | |
| Cash | \$ 12,841 |
| <u>LIABILITIES</u> | |
| Due to Groups and Organizations | 0 |
| Accounts Payable | 0 |
| Due to Other Funds | <u>0</u> |
| TOTAL LIABILITIES | <u>0</u> |
| <u>NET POSITION</u> | |
| Restricted for Trust Activities | <u><u>\$ 12,841</u></u> |

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

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2022

| | <u>PRIVATE PURPOSE TRUST FUND</u> |
|---|---|
| <u>ADDITIONS</u> | |
| Earnings on Investments and Deposits | \$ 19 |
| <u>DEDUCTIONS</u> | |
| Substance Education | <u>375</u> |
| Change in Net Position | (356) |
| <u>NET POSITION</u> - Beginning of Year | <u>13,197</u> |
| <u>NET POSITION</u> - End of Year | <u><u>\$ 12,841</u></u> |

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

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Central Lake Public Schools ("the District") is located in Antrim County with its administrative offices located in Central Lake, Michigan. The District is governed by the Central Lake Public Schools Board of Education ("the Board"), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 267 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The *2006 Sinking Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Other non-major funds:

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

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

The *capital projects funds* accounts for activities related to the acquisition or construction of major capital assets, funded with the Sinking Fund millage and bond proceeds.

Additionally, the District reports Fiduciary Funds. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary funds:

The *Private Purpose Trust Funds* are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. The principal is considered non-expendable and a portion of the interest may be spent.

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

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

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

E. Measurement Focus and Basis of Accounting

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

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

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

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

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

F. Budgetary Information

1. Budgetary Basis of Accounting

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

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 28, 2021, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures over Appropriations*

| | <u>APPROPRIATIONS</u> | <u>EXPENDITURES</u> |
|----------------------------|-----------------------|---------------------|
| General Fund | | |
| Supporting Services | | |
| Instructional Staff | \$ 99,721 | \$ 102,325 |
| Operations and Maintenance | 644,821 | 645,154 |
| Athletics | 148,220 | 148,425 |
| School Activity Fund | 60,681 | 69,489 |

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

These overages were funded by available fund balance and greater than anticipated revenues.

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

1. *Cash and Cash Equivalents*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. *Investments*

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

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings, and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

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

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

3. *Inventory and Prepaid Items*

Inventories are valued at cost using the first-in/first-out method. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial,

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Land and construction in progress, if any, are not depreciated. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|------------------------------------|--------------|
| Building and Additions | 25-50 |
| Furniture, Equipment and Textbooks | 5-20 |
| Land Improvements | 40 |

5. *Compensated Absences*

District policy permits certain employees to accumulate earned but unused sick pay benefits which are paid when the employee separates from service with the District. A liability is recorded in the statement of net position for such amounts. No liability is recorded for accumulated vacation since hours earned do not vest.

6. *Unearned Revenue*

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

7. *Long-Term Obligations*

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

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

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are pension and other postemployment benefits related items in the government-wide *Statement of Net Position*. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnotes 3.E. and 3.F.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnotes 3.E. and 3.F.

9. *Defined Benefit Plans*

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

10. *Net Position Flow Assumption*

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

11. *Fund Balance Flow Assumption*

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

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before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Fund Balance Policies

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

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

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

13. Use of Estimates

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

14. Restricted Assets

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

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of

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Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2022 the foundation allowance was based on a three year blend to determine pupil membership based on counts taken in February 2019, October 2019, February 2020, October 2020, February 2021, and October 2021. For fiscal year ended June 30, 2022, the per pupil foundation allowance was \$8,700 for Central Lake Public Schools.

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

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

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

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

| <u>Fund</u> | <u>Mills</u> |
|---|--------------|
| General Fund - Non-Principle Residence Exemption (PRE) | 17.4874 |
| General Fund - Commercial Personal Property | 5.4874 |
| 2017 School Bus Bonds Debt Service Fund - PRE, Non-PRE, Commercial Personal Property | 0.1600 |
| Sinking Capital Projects Fund - PRE, Non-PRE, Commercial Personal Property | 0.4892 |

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2022.

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NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits

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

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, the District's bank balance was \$3,832,959 and \$3,350,639 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. As of June 30, 2022, deposits of \$3,781,870 and petty cash of \$100, are reported on the financial statements as cash.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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

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

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business.

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

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

| | Primary Government | Fiduciary Funds | Reporting Entity |
|-------------------|-----------------------|--------------------|---------------------|
| Cash | \$ 3,579,110 | \$ 12,841 | \$ 3,591,951 |
| Cash - Restricted | 190,019 | 0 | 190,019 |
| | <u>\$ 3,769,129</u> | <u>\$ 12,841</u> | <u>\$ 3,781,970</u> |

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B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds are as follows:

| | General | Nonmajor Funds | Total |
|----------------------------|------------------|-------------------|------------------|
| Receivables | | | |
| Accounts | \$ 1,565 | \$ 0 | \$ 1,565 |
| Due from Other Governments | 95,168 | 2,179 | 97,347 |
| Total Receivables | <u>\$ 96,733</u> | <u>\$ 2,179</u> | <u>\$ 98,912</u> |

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not year earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|---|-------------|-------------------|
| Grant Receipts Received, But Not Yet Utilized | <u>\$ 0</u> | <u>\$ 904,780</u> |

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C. Capital Assets

Capital assets activity for the year ended June 30, 2022, was as follows:

| | Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 |
|------------------------------------|-------------------------|--------------|-----------|--------------------------|
| Capital Assets: | | | | |
| Land and Improvements | \$ 95,066 | \$ 7,980 | \$ 0 | \$ 103,046 |
| Buildings and Additions | 6,453,294 | 80,802 | 22,992 | 6,511,104 |
| Furniture and Equipment | 872,878 | 5,150 | 0 | 878,028 |
| Vehicles | 334,284 | 0 | 0 | 334,284 |
| Subtotal | 7,755,522 | 93,932 | 22,992 | 7,826,462 |
| Less Accumulated Depreciation for: | | | | |
| Land and Improvements | 33,815 | 2,939 | 0 | 36,754 |
| Buildings and Additions | 3,857,543 | 158,064 | 22,992 | 3,992,615 |
| Furniture and Equipment | 668,850 | 34,249 | 0 | 703,099 |
| Vehicles | 181,651 | 27,646 | 0 | 209,297 |
| Total Accumulated Depreciation | 4,741,859 | 222,898 | 22,992 | 4,941,765 |
| Net Capital Assets | \$ 3,013,663 | \$ (128,966) | \$ 0 | \$ 2,884,697 |

Depreciation for the fiscal year ended June 30, 2022 amounted to \$222,898. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Retirement and Postemployment Benefits

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the

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general oversight of the System resides. The State of Michigan Investments Board serves as the investment fiduciary and custodian of the System.

Benefits Provided- Overall

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

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

Benefits Provided – Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

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

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

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

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

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

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

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Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

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

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

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

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The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$574,000, with approximately \$563,000 specifically for the Defined Benefit Plan and approximately \$11,000 was contributed to the Defined Contribution Fund.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB benefits were approximately \$132,000, with approximately \$123,000 specifically for the Defined Benefit Plan and approximately \$9,000 was contributed to the Defined Contribution Fund.

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

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

Pension Liabilities

At June 30, 2022, the District reported a liability of \$3,786,345 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the District's proportion was 0.01599273% and 0.01612030%.

MPSERS (Plan) Non-university Employers Net Pension Liability

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

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

For the year ended June 30, 2022, the District recognized total pension expense of \$162,446.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Differences between expected and actual experience | \$ 58,652 | \$ 22,297 |
| Changes of assumptions | 238,678 | 0 |
| Net difference between projected and actual earnings on pension plan investments | 0 | 1,217,298 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 0 | 226,271 |
| District section 147c revenue related to pension contributions subsequent to the measurement date | 0 | 254,549 |
| District contributions subsequent to the measurement date | <u>534,641</u> | <u>0</u> |
| Total | <u>\$ 831,971</u> | <u>\$ 1,720,415</u> |

\$534,641 reported as deferred outflows of resources and \$254,549 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the subsequent fiscal year.

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

| <u>Year Ended September 30,</u> | <u>Amount</u> |
|--|------------------------------|
| 2022 | \$ (256,685) |
| 2023 | (268,949) |
| 2024 | (310,069) |
| 2025 | <u>(332,833)</u> |
| | <u>\$ (1,168,536)</u> |

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

OPEB Liabilities

At June 30, 2022, the District reported a liability of \$245,870 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the District's proportion was 0.01610808% and 0.01617724%.

MPERS (Plan) Non-University Employers Net OPEB Liability

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

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

For the year ended June 30, 2022, the District recognized total OPEB benefit of (\$201,404).

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JUNE 30, 2022

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 0 | \$ 701,819 |
| Changes of assumptions | 205,535 | 30,756 |
| Net difference between projected and actual earnings on OPEB plan investments | 0 | 185,317 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 12,548 | 114,631 |
| District contributions subsequent to the measurement date | 109,589 | 0 |
| Total | <u>\$ 327,672</u> | <u>\$ 1,032,523</u> |

\$109,589 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

| <u>Year Ended September 30,</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2022 | \$ (243,172) |
| 2023 | (205,451) |
| 2024 | (158,301) |
| 2025 | (150,022) |
| 2026 | (50,821) |
| Thereafter | (6,673) |
| | <u>\$ (814,440)</u> |

G. Actuarial Assumptions

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

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

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

Inflation – 3.0%

Mortality assumptions –

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rate of return

For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate

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

OPEB Discount Rate

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

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JUNE 30, 2022

plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

| Pension | | | | |
|--------------------|-----------|----------------------|-----------|--------------------|
| 1% Decrease | | Discount Rate | | 1% Increase |
| \$ | 5,413,446 | \$ | 3,786,345 | \$ 2,437,371 |

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

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

| OPEB | | | | |
|--------------------|---------|----------------------|---------|--------------------|
| 1% Decrease | | Discount Rate | | 1% Increase |
| \$ | 456,871 | \$ | 245,870 | \$ 66,806 |

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

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

| OPEB | | | | |
|--------------------------------|--------|--------------------|---------|--------------------|
| Current Healthcare Cost | | | | |
| 1% Decrease | | Trend Rates | | 1% Increase |
| \$ | 59,843 | \$ | 245,870 | \$ 455,173 |

H. Pension and OPEB Plan Fiduciary Net Position

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

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I. Payables to the Pension and OPEB Plan

As of June 30, 2022, the District is current on all required pension and other postemployment benefit plan payments. As of June 30, 2022, the District reported payables in the amount of \$112,269 to the pension and OPEB plan. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

J. Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees

The District participates in a distinct pool of educational institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

K. Long-Term Obligations

The following is a summary of the general long-term obligation transactions for the District for the year ended June 30, 2022:

| | GENERAL OBLIGATION BONDS | COMPENSATED ABSENCES | NET OPEB LIABILITY | NET PENSION LIABILITY | TOTAL |
|------------------|--------------------------------|-------------------------|--------------------------|-----------------------------|-------------|
| Balance: | | | | | |
| July 1, 2021 | \$ 80,000 | \$ 28,259 | \$ 866,658 | \$ 5,537,498 | \$6,512,415 |
| Increase in Debt | 190,000 | 4,672 | 0 | 0 | 194,672 |
| Decrease in Debt | (40,000) | (7,234) | (620,788) | (1,751,153) | (2,419,175) |
| Balance: | | | | | |
| June 30, 2022 | 230,000 | 25,697 | 245,870 | 3,786,345 | 4,287,912 |
| Less: | | | | | |
| Current Portion | (40,000) | 0 | 0 | 0 | (40,000) |
| Total Due | | | | | |
| After One Year | \$ 190,000 | \$ 25,697 | \$ 245,870 | \$ 3,786,345 | \$4,247,912 |

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NOTES TO FINANCIAL STATEMENTS
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At June 30, 2022, the School's Long-Term Obligation consisted of the following:

General Obligation Bonds

| | |
|---|-----------|
| 2017 School Bus Bonds due in annual installments of \$40,000 through May 1, 2023, interest at 2.10% | \$ 40,000 |
|---|-----------|

| | |
|--|---------|
| 2022 School Bus Bonds due in annual installments of \$35,000 to \$40,000 through May 1, 2028, interest at 2.50% to 2.90% | 190,000 |
|--|---------|

Sick Pay & Retirement Incentive, Net Pension Liability, and Net OPEB Liability

| | |
|-----------------------|---------------|
| Net OPEB Liability | 245,870 |
| Net Pension Liability | 3,786,345 |
| Compensated Absences | <u>25,697</u> |

| | |
|----------------------------|---------------------|
| TOTAL LONG-TERM OBLIGATION | <u>\$ 4,287,912</u> |
|----------------------------|---------------------|

The annual requirements to amortize all obligations outstanding as of June 30, 2022, including interest payments of \$21,859 are as follows:

| YEAR ENDING JUNE 30, | General Obligation Bonds | | Amounts Payable |
|-------------------------|-----------------------------|------------------|--------------------|
| | Principal | Interest | |
| 2023 | \$ 40,000 | \$ 5,643 | \$ 45,643 |
| 2024 | 35,000 | 5,146 | 40,146 |
| 2025 | 35,000 | 4,270 | 39,270 |
| 2026 | 40,000 | 3,360 | 43,360 |
| 2027 | 40,000 | 2,280 | 42,280 |
| 2028 | 40,000 | 1,160 | 41,160 |
| | <u>\$ 230,000</u> | <u>\$ 21,859</u> | <u>\$ 251,859</u> |

Interest expense for the year ended June 30, 2022 was approximately \$2,783.

The annual requirements to amortize the compensated absences, net pension liability, and net other postemployment benefit liability are uncertain because it is unknown when the payments will be made.

Compensated absences, net pension liability, and net other postemployment benefit liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

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JUNE 30, 2022

L. Interfund Receivables and Payables

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|----------------------|------------------|
| Food Service Fund | General Fund | \$ 16,603 |
| General Fund | School Activity Fund | 20,626 |
| General Fund | 2022 School Bus Fund | 8,800 |
| General Fund | 2006 Sinking Fund | 3,574 |
| | | <u>\$ 49,603</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2022 are expected to be repaid within one year.

M. Other Information

1. *Commitments and Contingencies*

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

Commitments – The District approved the purchase of various pieces of equipment in the amount of \$217,851, to be purchased in fiscal year ended June 30, 2023.

2. *Sinking Fund Tax Levy*

In May 2009 the taxpayers approved a sinking fund tax levy. The School was authorized to levy 0.45 mills for three years beginning with the 2009 tax roll. This millage was renewed in 2012 and then again in 2014. The transactions for the sinking fund are accounted for in a capital projects fund. For this fund, the District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

In May 2018 the taxpayers approved a sinking fund tax levy. The School was authorized to levy 0.50 mills for four years beginning with the 2019 tax roll. The transactions for the sinking fund are accounted for in a capital projects fund. For this fund, the District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

3. *Community Foundation*

On March 9, 1999, the Board of Education passed a resolution to participate in the Grand Traverse Regional Community Foundation and a Central Lake School District Fund was established. Contributions

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to the fund become the property of the foundation, held in its corporate capacity. Income earned by the fund is to be used, not to replace public financing, but to provide flexible funds to support, non-operational educational opportunities for the District. Net earnings of the fund shall be paid not more than twice a year or at a different schedule agreed upon by the fund's advisory committee and the foundation.

4. *Tax Abatements*

It has been determined that the District has granted tax abatements as defined by GASB Statement No. 77. However, the total of these abatements is less than \$1,000, and it has been determined they are not significant enough to warrant disclosure.

5. *Capital Projects Fund*

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

6. *GASB Statement No. 87 - Leases*

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

7. *Single Audit*

Current federal guidelines require entities with federal expenditures exceeding \$750,000 to have a "single audit" of federally funded programs.

| | |
|--|-------------------|
| Revenues from Federal Sources - Statement of Revenues, | |
| Expenditures, and Changes in Fund Balances - Governmental Fund | \$ 751,337 |
| Federal Expenditures Related to the Following Grants are not | |
| Required to be Reported on the Schedule of Expenditures of | |
| Federal Awards and are not Covered by Single Audit | |
| Child Care Sustainability Grant | (131,480) |
| | <u>\$ 619,857</u> |

The amount of expenditures of federal awards used for determining whether or not the District is required to have a "single audit" of federally funded programs is \$619,857. Because this amount is less than the threshold of \$750,000, the District was not required to have a "single audit".

NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2022

| | GENERAL FUND | | |
|--|--------------------|-----------------|-------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL AMOUNTS |
| <u>REVENUES</u> | | | |
| Local Sources | \$ 3,392,380 | \$ 3,287,594 | \$ 3,283,229 |
| State Sources | 493,688 | 611,432 | 609,566 |
| Federal Sources | 140,014 | 466,491 | 462,540 |
| Other Transactions | 534,274 | 487,014 | 487,037 |
| Total Revenues | 4,560,356 | 4,852,531 | 4,842,372 |
| <u>EXPENDITURES</u> | | | |
| Instruction | | | |
| Basic Programs | 2,116,792 | 2,222,292 | 2,221,285 |
| Added Needs | 371,593 | 377,080 | 369,130 |
| Career and Technical Education | 122,557 | 88,675 | 88,674 |
| Supporting Services | | | |
| Pupil | 120,494 | 115,438 | 115,141 |
| Instructional Staff | 80,123 | 99,721 | 102,325 |
| General Administration | 273,833 | 314,398 | 313,517 |
| School Administration | 222,554 | 172,796 | 171,366 |
| Business | 92,817 | 66,559 | 66,559 |
| Operation and Maintenance | 492,679 | 644,821 | 645,154 |
| Pupil Transportation Services | 138,449 | 126,316 | 125,781 |
| Central | 92,081 | 100,666 | 100,665 |
| Athletics | 160,533 | 148,220 | 148,425 |
| Other Support Services | 0 | 15,108 | 15,108 |
| Community Services | 240,025 | 265,064 | 262,786 |
| Total Expenditures | 4,524,530 | 4,757,154 | 4,745,916 |
| Excess (Deficiency) of Revenues Over Expenditures | 35,826 | 95,377 | 96,456 |
| <u>FUND BALANCE</u> - Beginning of Year | 1,503,582 | 1,534,021 | 1,534,021 |
| <u>FUND BALANCE</u> - End of Year | \$ 1,539,408 | \$ 1,629,398 | \$ 1,630,477 |

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------|------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of net pension liability (%) | | | 0.01599273% | 0.01612030% | 0.01631546% | 0.01755777% | 0.01963340% | 0.02176087% | 0.02239400% | 0.02514000% |
| District's proportionate share of net pension liability | | \$ | 3,786,345 | \$ 5,537,498 | \$ 5,403,132 | \$ 5,278,159 | \$ 5,087,843 | \$ 5,429,159 | \$ 5,469,740 | \$ 5,536,890 |
| District's covered payroll | | | 1,392,881 | 1,439,968 | 1,446,019 | 1,347,346 | 1,570,422 | 1,800,402 | 1,859,055 | 2,125,762 |
| District's proportionate share of net pension liability as a percentage of its covered payroll | | | 271.84% | 384.56% | 373.66% | 391.74% | 323.98% | 301.55% | 294.22% | 260.47% |
| 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% |

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

JUNE 30, 2022

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|------|------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contributions | | | \$ 562,946 | \$ 476,661 | \$ 449,630 | \$ 432,012 | \$ 452,763 | \$ 471,181 | \$ 498,476 | \$ 410,016 |
| Contributions in relation to statutorily required contributions * | | | 562,946 | 476,661 | 449,630 | 432,012 | 452,763 | 471,181 | 498,476 | 410,016 |
| Contribution deficiency (excess) | | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Covered payroll | | | \$ 1,558,243 | \$ 1,413,824 | \$ 1,451,004 | \$ 1,393,841 | \$ 1,387,615 | \$ 1,577,146 | \$ 1,780,013 | \$ 1,871,079 |
| Contributions as a percentage of covered payroll | | | 36.13% | 33.71% | 30.99% | 30.99% | 32.63% | 29.88% | 28.00% | 21.91% |

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

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

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|------|------|------|------|------|-------------|-------------|--------------|--------------|--------------|
| District's proportion of net OPEB liability (%) | | | | | | 0.01610808% | 0.01617724% | 0.01651382% | 0.01628088% | 0.01974526% |
| District's proportionate share of net OPEB liability | | | | | | \$ 245,870 | \$ 866,658 | \$ 1,185,320 | \$ 1,294,159 | \$ 1,748,536 |
| District's covered payroll | | | | | | 1,392,881 | 1,439,968 | 1,446,019 | 1,347,346 | 1,570,422 |
| District's proportionate share of net OPEB liability as a percentage of its covered payroll | | | | | | 17.65% | 60.19% | 81.97% | 96.05% | 111.34% |
| Plan fiduciary net position as a percentage of total OPEB liability | | | | | | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

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

| | 2027 | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|------|------|------|------|------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contributions | | | | | | \$ 122,505 | \$ 110,082 | \$ 110,762 | \$ 107,583 | \$ 102,478 |
| Contributions in relation to statutorily required contributions * | | | | | | 122,505 | 110,082 | 110,762 | 107,583 | 102,478 |
| Contribution deficiency (excess) | | | | | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Covered payroll | | | | | | \$ 1,558,243 | \$ 1,413,824 | \$ 1,451,004 | \$ 1,393,841 | \$ 1,387,615 |
| Contributions as a percentage of covered payroll | | | | | | 7.86% | 7.79% | 7.63% | 7.72% | 7.39% |

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

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CENTRAL LAKE, MICHIGAN

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

Pension Information

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

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

OPEB Information

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

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

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

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CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2022

| | SPECIAL REVENUE FUNDS | | DEBT SERVICE FUND | CAPITAL PROJECTS FUNDS | | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|--|--------------------------|--------------------|--------------------------|---------------------------|--------------------|--|
| | FOOD SERVICE | SCHOOL ACTIVITY | 2017 SCHOOL BUS BONDS | 2018 SINKING | 2022 SCHOOL BUS | |
| <u>ASSETS</u> | | | | | | |
| Cash | \$ 80,601 | \$ 113,846 | \$ 18,402 | \$ 373,496 | \$ 0 | \$ 586,345 |
| Cash - Restricted | 0 | 0 | 0 | 0 | 190,019 | 190,019 |
| Due from Other Funds | 16,603 | 0 | 0 | 0 | 0 | 16,603 |
| Due from Other Governments | 2,179 | 0 | 0 | 0 | 0 | 2,179 |
| Inventories | 8,592 | 0 | 0 | 0 | 0 | 8,592 |
| TOTAL ASSETS | \$ 107,975 | \$ 113,846 | \$ 18,402 | \$ 373,496 | \$ 190,019 | \$ 803,738 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | |
| <u>LIABILITIES</u> | | | | | | |
| Accounts Payable | \$ 1,986 | \$ 0 | \$ 0 | \$ 0 | \$ 8,348 | \$ 10,334 |
| Due to Other Funds | 0 | 20,626 | 0 | 0 | 8,800 | 29,426 |
| Due to Other Governments | 2,024 | 0 | 0 | 0 | 0 | 2,024 |
| Total Liabilities | 4,010 | 20,626 | 0 | 0 | 17,148 | 41,784 |
| <u>FUND BALANCES</u> | | | | | | |
| Nonspendable: | | | | | | |
| Inventories | 8,592 | 0 | 0 | 0 | 0 | 8,592 |
| Restricted: | | | | | | |
| Food Service | 95,373 | 0 | 0 | 0 | 0 | 95,373 |
| Debt Service | 0 | 0 | 18,402 | 0 | 0 | 18,402 |
| Capital Projects | 0 | 0 | 0 | 373,496 | 172,871 | 546,367 |
| Committed: | | | | | | |
| School Activities | 0 | 93,220 | 0 | 0 | 0 | 93,220 |
| Total Fund Balances | 103,965 | 93,220 | 18,402 | 373,496 | 172,871 | 761,954 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 107,975 | \$ 113,846 | \$ 18,402 | \$ 373,496 | \$ 190,019 | \$ 803,738 |

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

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

YEAR ENDED JUNE 30, 2022

| | SPECIAL REVENUE FUNDS | | DEBT SERVICE FUND | CAPITAL PROJECTS FUNDS | | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|--|--------------------------|--------------------|--------------------------|---------------------------|--------------------|--|
| | FOOD SERVICE | SCHOOL ACTIVITY | 2017 SCHOOL BUS BONDS | 2018 SINKING | 2022 SCHOOL BUS | |
| <u>REVENUES</u> | | | | | | |
| Local Sources | \$ 9,565 | \$ 67,662 | \$ 47,520 | \$ 145,612 | \$ 19 | \$ 270,378 |
| State Sources | 5,896 | 0 | 165 | 465 | 0 | 6,526 |
| Federal Sources | 288,797 | 0 | 0 | 0 | 0 | 288,797 |
| Other Transactions | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues | 304,258 | 67,662 | 47,685 | 146,077 | 19 | 565,701 |
| <u>EXPENDITURES</u> | | | | | | |
| Other Supporting Services | 0 | 69,489 | 0 | 0 | 0 | 69,489 |
| Food Service Activities | 272,060 | 0 | 0 | 0 | 0 | 272,060 |
| Debt Service | | | | | | |
| Principal | 0 | 0 | 40,000 | 0 | 0 | 40,000 |
| Interest and Fees | 0 | 0 | 2,180 | 0 | 0 | 2,180 |
| Bond Issuance Costs | 0 | 0 | 0 | 0 | 17,148 | 17,148 |
| Total Expenditures | 272,060 | 69,489 | 42,180 | 0 | 17,148 | 400,877 |
| Excess (Deficiency) of Revenues Over Expenditures | 32,198 | (1,827) | 5,505 | 146,077 | (17,129) | 164,824 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | | |
| Face Value of Debt | 0 | 0 | 0 | 0 | 190,000 | 190,000 |
| Net Change in Fund Balance | 32,198 | (1,827) | 5,505 | 146,077 | 172,871 | 354,824 |
| <u>FUND BALANCES</u> - Beginning of Year | 71,767 | 95,047 | 12,897 | 227,419 | 0 | 407,130 |
| <u>FUND BALANCES</u> - End of Year | \$ 103,965 | \$ 93,220 | \$ 18,402 | \$ 373,496 | \$ 172,871 | \$ 761,954 |

