



CHEBOYGAN AREA SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

Annual Financial Report

For the year ended June 30, 2023

CHEBOYGAN AREA SCHOOLS
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For the year ended June 30, 2023

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

October 9, 2023

The Board of Education
Cheboygan Area Schools

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 the Cheboygan Area Schools as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise of Cheboygan Area Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cheboygan Area Schools, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund, 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 Cheboygan Area Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of Cheboygan Area Schools' basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules 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 and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

Changes in Accounting Principle

As discussed in Note K to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* and No. 101, *Compensated Absences* for the fiscal year June 30, 2023. Our opinion is not modified in respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2023, on our consideration of Cheboygan Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cheboygan Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cheboygan Area Schools' internal control over financial reporting and compliance.



Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS



CHEBOYGAN AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2023

As management of Cheboygan Area Schools (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District’s operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Statements

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues 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 it has changed. Net position - the difference between the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District’s overall health, one should consider additional non-financial factors such as changes in the District’s property tax-base and the condition of school buildings and other facilities.



CHEBOYGAN AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2023

In the district-wide financial statements, the District's activities are presented as follows:

Governmental activities: The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-wide Financial Information

The Statement of Net Position provides financial information on the District as a whole.

	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 14,690,139	\$ 10,967,521
Net capital assets	<u>16,883,977</u>	<u>15,640,560</u>
Total Assets	<u>31,574,116</u>	<u>26,608,081</u>
Deferred Outflows of Resources	<u>11,831,265</u>	<u>6,311,513</u>
Liabilities		
Current liabilities	3,973,714	3,437,099
Long-term liabilities	4,244,574	2,826,396
Net pension liability	33,853,135	21,893,383
Net OPEB liability	<u>1,893,466</u>	<u>1,415,405</u>
Total Liabilities	<u>43,964,889</u>	<u>29,572,283</u>
Deferred Inflows of Resources	<u>5,350,093</u>	<u>13,617,998</u>
Net Position		
Net investment in capital assets	11,700,213	12,716,736
Restricted	4,938,971	1,898,743
Unrestricted (deficit)	<u>(22,548,785)</u>	<u>(24,886,166)</u>
Total Net Position	<u>\$ (5,909,601)</u>	<u>\$ (10,270,687)</u>



CHEBOYGAN AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2023

The Statement of Activities presents changes in net position for operating results:

	2023	2022
Program Revenues		
Charges for services	\$ 168,803	\$ 194,429
Operating grants	9,959,568	6,931,512
General Revenues		
Property taxes	7,886,190	7,508,473
State school aid, unrestricted	8,018,386	7,695,108
Interest and investment earnings	7,520	5,762
Other	948,417	903,320
Total Revenues	26,988,884	23,238,604
Expenses		
Instruction	13,105,501	10,001,483
Supporting services	6,904,681	5,554,043
Food service	1,062,076	733,463
Community services	147,435	91,149
Other	76,859	-
Interest on long-term debt	94,892	109,030
Depreciation (unallocated)	1,236,354	1,153,601
Total Expenses	22,627,798	17,642,769
Change in Net Position	4,361,086	5,595,835
Net Position, Beginning of Year	(10,270,687)	(15,866,522)
Net Position, End of Year	\$ (5,909,601)	\$ (10,270,687)

Financial Analysis of the District as a Whole

Total revenues exceeded expenses by \$4,361,086 increasing the total net position from a deficit of \$10,270,687, to a deficit of \$5,909,601. Unrestricted net assets increased by \$2,337,381, from a deficit of \$24,886,166 to a deficit of \$22,548,785 at June 30, 2023. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$262,691. The net OPEB liability, including deferred outflows and inflows of resources, decreased by \$1,612,535.

The District's total revenues increased 16.14% to \$26.99 million. Property taxes and state aid accounted for most of the District's revenue, contributing 59% of the total. Another 38% came from state and federal aid for specific programs, and the remainder from fees charged for services, interest earnings and miscellaneous sources.

Per the Statement of Activities, the total cost of all programs and services increased by 28.26% to \$22.63 million, with increase in instruction and supporting services. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students amounting to 67% of total costs. The District's administrative and business activities accounted for 10% of total costs. Operation and maintenance costs accounted for another 8% of total costs.



CHEBOYGAN AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2023

The District continues to monitor the State economy and District budget and demographics in an attempt to protect academic programs and opportunities during challenging economic times. Regular updates on the budget and District finances were provided to the Board of Education, community groups, staff, and parents.

- At each monthly Board meeting and at the monthly Board workshop meetings, budget information was shared. The Board was kept updated on the changing economy and the impact on the current year budget as well as the impact on the following year budget.
- The District fully complies with the State Transparency Reporting requirements and posts on the District web site all budgetary and other financial information.
- The Superintendent and/or designees continue to communicate throughout the year with parents and community members to share information vital to their understanding of the operations of the District.
- Information is also shared throughout the year through Family Links (parent support groups), the Cheboygan Area Schools website, a school newsletter distributed to families living within the Cheboygan community, and monthly to the Cheboygan Chamber of Commerce.

New Accounting Pronouncement Implemented

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* and No. 101, *Compensated Absences* during the fiscal year ended June 30, 2023. GASB Statement No. 96 enhances the relevance and consistency of information about the governments' subscription-based information technology. GASB Statement No. 101 amends the disclosure of gross increases and decreases in compensated absences liabilities. See Note K for additional information.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes one kind of fund:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be 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 you determine whether there are more or fewer 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 district-wide statements, reconciliations between the district-wide and fund financial statements are provided separately.



CHEBOYGAN AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2023

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Cheboygan Area Schools' funds are described as follows:

Major Funds

General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$23,369,221, other financing sources of \$245,813, and total expenditures of \$22,755,619. The fund balance at June 30, 2023 totaled \$7,267,313, up from \$6,407,898 at June 30, 2022.

2019 Construction Fund

The District operates one major Capital Projects Fund, the 2019 Construction Fund. The 2019 Construction Fund had total revenues of \$300 and other financing sources of \$2,976,880, and total expenditures of \$698,082. The fund balance at June 30, 2023 totaled \$2,972,618, up from \$693,520 at June 30, 2022.

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, the Food Service Fund and the Student/School Activity Fund. Total revenues were \$1,553,161, total expenditures of \$1,586,573 and other financing uses of \$67,975. The combined fund balance for the Food Service Fund and Student/School Activity Fund totaled \$999,891 at June 30, 2023, down from \$1,101,278 at June 30, 2022. Of the ending fund balance, \$496,108 is attributed to the Food Service Fund, and \$503,783 is attributed to the Student/School Activity Fund.

Debt Service Fund

The District combines all of its debt levies into one Debt Service Fund. Total revenues for the funds were \$1,542,100 and total expenditures were \$1,485,650. The fund balance at June 30, 2023 was \$151,371, up from \$94,921 at June 30, 2022.

Building and Site (Sinking) Fund

The District operates one nonmajor Capital Projects Fund, the Building and Site (Sinking) Fund. The Building and Site (Sinking) Fund had total revenues of \$375,978, and total expenditures of \$249,951. The fund balance at June 30, 2023 was \$846,096, up from \$720,069 at June 30, 2022.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times after the June 2022 adoption. Amendments were needed due to:

- In the February amendment, revenues were adjusted for actual enrollment and final state aid allocations. In both the February and June amendments, grants were included as initial grants and amendments to grants were approved by MDE. There were numerous grants related to pandemic funding streams (ESSER, GEER, etc.) The grants typically also generated a change in the expense side of the budget.
- The final approved budget in June called for a surplus of \$113,659 which brought the ending fund balance to an estimated 26.89% of budgeted expenditures.



CHEBOYGAN AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2023

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal year 2023, the District had invested \$36.5 million in a broad range of capital assets, including land, school buildings, athletic facilities, school buses, and furniture and equipment. (More detailed information about capital assets can be found in Note E in the notes to basic financial statements.) Total depreciation expense for the year was \$1.2 million.

At June 30, 2023, the District's investment in capital assets (net of accumulated depreciation), including land, buildings and improvements, vehicles, and furniture and equipment was \$16.88 million. This represents a net increase of \$1,243,417 from the previous year-end.

Land	\$ 80,000
Buildings and additions	14,834,517
Furniture and equipment	1,285,585
Vehicles	551,520
Right of use asset - leased equipment	32,549
Construction in progress	99,806
	<hr/>
Total Capital Assets	<u><u>\$ 16,883,977</u></u>

Long-term Obligations

At year end, the District had \$5.73 million in general obligation bonds and other long-term debt outstanding – a net increase of \$1.44 million from last year.

The District's general obligation bonds have bond ratings of AA with a negative outlook by Standard and Poor's. The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within a District's boundaries.

The District's other obligations include accumulated sick leave. We present more detailed information about our long-term liabilities in Note F in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- State funding for the 2023-2024 school year has been finalized at the time of this writing. We budgeted for a \$425 per pupil foundation increase and we are now expected to receive a \$450 per pupil foundation increase. This will result in an increase of \$40,000 in revenue (based on a loss of 25 pupils).
- Student count continues to be a top priority for the District. Enrollment seems to be rebounding after the decreases due to the COVID-19 pandemic. However, there are still fewer students available for educating. An overall drop in total enrollment of approximately 25 students is anticipated.



CHEBOYGAN AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2023

- Staff wages and benefits are not yet finalized for the upcoming year, however, staffing levels may/will be adjusted based on the total student enrollment in the fall.
- As each unknown factor is clarified, adjustments to both revenues and expenses will be made through the budget amendment process.

Contacting the District's Financial Management

This financial report is designed to provide the District's 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, contact the Business Office, Cheboygan Area Schools, 7461 N. Straits Hwy, Cheboygan, MI 49721 via e-mail to the attention of Laura Nestle (nestlel@chebschools.com).

BASIC FINANCIAL STATEMENTS

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CHEBOYGAN AREA SCHOOLS
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash equivalents (Note B)	\$ 11,237,389
Accounts receivable	204
Due from other governmental units (Note C)	3,426,681
Inventory	18,071
Prepaid expenses	7,794
Capital assets not being depreciated (Note E)	179,806
Capital assets being depreciated, net (Note E)	<u>16,704,171</u>
Total Assets	<u>31,574,116</u>
Deferred Outflows of Resources	
Deferred pension amounts	9,357,425
Deferred OPEB amounts	<u>2,473,840</u>
Total Deferred Outflows of Resources	<u>11,831,265</u>
Liabilities	
Accounts payable	37,721
Due to other governmental units	986,766
Accrued interest payable	31,005
Payroll withholdings payable	158,892
Salaries payable	922,223
Unearned revenue	347,248
Long-term liabilities (Note F):	
Due within one year	1,489,859
Due in more than one year	4,244,574
Net pension liability	33,853,135
Net OPEB liability	<u>1,893,466</u>
Total Liabilities	<u>43,964,889</u>
Deferred Inflows of Resources	
Deferred pension amounts	1,125,299
Deferred OPEB amounts	<u>4,224,794</u>
Total Deferred Inflows of Resources	<u>5,350,093</u>
Net Position	
Net investment in capital assets	11,700,213
Restricted for:	
Capital outlay	3,818,714
Debt service	120,366
Food service	496,108
Student/school activity	503,783
Unrestricted (deficit)	<u>(22,548,785)</u>
Total Net Position	<u><u>\$ (5,909,601)</u></u>

See accompanying notes to basic financial statements.

CHEBOYGAN AREA SCHOOLS
Statement of Activities
For the year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 13,105,501	\$ -	\$ 8,927,291	\$ (4,178,210)
Supporting services	6,904,681	110,518	40,505	(6,753,658)
Food service	1,062,076	58,285	984,295	(19,496)
Community services	147,435	-	-	(147,435)
Other	76,859	-	-	(76,859)
Interest on long-term debt	94,892	-	7,477	(87,415)
Depreciation, unallocated*	1,236,354	-	-	(1,236,354)
Total Governmental Activities	\$ 22,627,798	\$ 168,803	\$ 9,959,568	(12,499,427)
General Revenues				
Taxes:				
Property taxes, levied for general operations				5,977,832
Property taxes, levied for debt service				1,532,380
Property taxes, levied for capital improvements				375,978
State school aid, unrestricted				8,018,386
Interest and investment earnings				7,520
Other				948,417
Total General Revenues				16,860,513
Change in Net Position				4,361,086
Net Position - Beginning of Year				(10,270,687)
Net Position - End of Year				\$ (5,909,601)

* This amount excludes direct depreciation expenses of the various programs.

See accompanying notes to basic financial statements.

CHEBOYGAN AREA SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	2019 Construction	Nonmajor	Total
Assets				
Cash equivalents (Note B)	\$ 6,160,407	\$ 2,992,718	\$ 2,084,264	\$ 11,237,389
Accounts receivable	204	-	-	204
Due from other funds	154,538	-	28,398	182,936
Due from other governmental units	3,385,162	-	41,519	3,426,681
Inventory	-	-	18,071	18,071
Prepaid expenditures	7,794	-	-	7,794
Total Assets	<u>\$ 9,708,105</u>	<u>\$ 2,992,718</u>	<u>\$ 2,172,252</u>	<u>\$ 14,873,075</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 19,802	\$ -	\$ 17,919	\$ 37,721
Due to other funds	8,298	20,100	154,538	182,936
Due to other governmental units	986,766	-	-	986,766
Benefits payable	158,892	-	-	158,892
Salaries payable	922,223	-	-	922,223
Unearned revenue	344,811	-	2,437	347,248
Total Liabilities	<u>2,440,792</u>	<u>20,100</u>	<u>174,894</u>	<u>2,635,786</u>
Fund Balances				
Nonspendable	7,794	-	18,071	25,865
Restricted	-	2,972,618	1,979,287	4,951,905
Unassigned	7,259,519	-	-	7,259,519
Total Fund Balances	<u>7,267,313</u>	<u>2,972,618</u>	<u>1,997,358</u>	<u>12,237,289</u>
Total Liabilities and Fund Balances	<u>\$ 9,708,105</u>	<u>\$ 2,992,718</u>	<u>\$ 2,172,252</u>	<u>\$ 14,873,075</u>

See accompanying notes to basic financial statements.

CHEBOYGAN AREA SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total governmental fund balances		\$ 12,237,289
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 therefore are not reported as assets in governmental funds. The cost of assets is \$36,507,018 and accumulated depreciation is \$19,623,041.		16,883,977
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$ (4,965,000)	
Bond premium, unamortized	(182,469)	
Lease liabilities	(36,295)	
Accumulated sick leave	<u>(550,669)</u>	(5,734,433)
Accrued interest is not included as a liability in governmental funds.		(31,005)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(33,853,135)	
Deferred outflows	9,357,425	
Deferred inflows	<u>(1,125,299)</u>	(25,621,009)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(1,893,466)	
Deferred outflows	2,473,840	
Deferred inflows	<u>(4,224,794)</u>	<u>(3,644,420)</u>
Total Net Position - Governmental Activities		<u>\$ (5,909,601)</u>

See accompanying notes to basic financial statements.

CHEBOYGAN AREA SCHOOLS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2023

	General Fund	2019 Construction	Nonmajor	Total
Revenues				
Local sources	\$ 6,383,039	\$ 300	\$ 2,479,467	\$ 8,862,806
State sources	12,816,520	-	42,880	12,859,400
Federal sources	3,132,399	-	948,892	4,081,291
Interdistrict sources	1,037,263	-	-	1,037,263
Total Revenues	23,369,221	300	3,471,239	26,840,760
Expenditures				
Current:				
Instruction	13,962,307	-	-	13,962,307
Supporting services	6,995,071	-	464,115	7,459,186
Community services	154,948	-	-	154,948
Food service	-	-	1,122,458	1,122,458
Interdistrict	66,206	-	-	66,206
Capital outlay	1,561,151	621,223	249,951	2,432,325
Debt service:				
Principal repayment	10,579	-	1,380,000	1,390,579
Interest and fiscal charges	5,357	-	105,650	111,007
Bond issuance costs	-	60,823	-	60,823
Underwriter's discount	-	16,036	-	16,036
Total Expenditures	22,755,619	698,082	3,322,174	26,775,875
Excess of Revenues Over Expenditures	613,602	(697,782)	149,065	64,885
Other Financing Sources (Uses)				
Proceeds from issuance of bonds	-	2,840,000	-	2,840,000
Bond premium	-	136,880	-	136,880
Inception of lease	9,714	-	-	9,714
Proceeds from sale of capital assets	151,653	-	-	151,653
Transfers in	67,975	-	-	67,975
Transfers out	-	-	(67,975)	(67,975)
Other transactions	16,471	-	-	16,471
Total Other Financing Sources (Uses)	245,813	2,976,880	(67,975)	3,154,718
Net Change in Fund Balances	859,415	2,279,098	81,090	3,219,603
Fund Balances, Beginning of Year	6,407,898	693,520	1,916,268	9,017,686
Fund Balances, End of Year	\$ 7,267,313	\$ 2,972,618	\$ 1,997,358	\$ 12,237,289

See accompanying notes to basic financial statements.

CHEBOYGAN AREA SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2023

Net change in fund balances - total governmental funds \$ 3,219,603

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	\$ 2,499,771	
Depreciation expense	<u>(1,236,354)</u>	1,263,417

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold/retired. (20,000)

Bond premium is amortized over the life of the new bond issue in the Statement of Activities. (107,285)

Proceeds from the sale of bonds and loans, and lease inception are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position.

Proceeds from bonds	(2,840,000)	
Inception of lease	<u>(9,714)</u>	(2,849,714)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not effect the Statement of Activities:

General obligation bonds	1,380,000	
Lease liabilities	<u>10,579</u>	1,390,579

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. (13,480)

In the Statement of Net Position, accumulated sick leave is measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of the benefits used/paid exceeded the amounts earned by \$128,122. 128,122

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds. (262,691)

The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds. 1,612,535

Total change in net position - governmental activities \$ 4,361,086

See accompanying notes to basic financial statements.

CHEBOYGAN AREA SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources	\$ 6,423,870	\$ 6,390,435	\$ 6,383,039	\$ (7,396)
State sources	11,533,763	13,099,712	12,816,520	(283,192)
Federal sources	964,939	3,872,207	3,132,399	(739,808)
Interdistrict sources	670,916	762,651	1,037,263	274,612
Total Revenues	19,593,488	24,125,005	23,369,221	(755,784)
Expenditures				
Current:				
Instruction:				
Basic programs	8,429,753	9,830,372	9,767,983	62,389
Added needs	3,821,327	4,866,089	4,194,324	671,765
Supporting services:				
Pupil services	487,584	563,581	571,722	(8,141)
Instructional staff services	466,571	529,114	507,532	21,582
General administrative services	387,273	439,766	375,127	64,639
School administrative services	1,282,934	1,403,801	1,387,524	16,277
Business services	426,666	434,201	415,445	18,756
Operation and maintenance services	1,635,658	2,005,173	1,835,901	169,272
Pupil transportation services	1,284,438	1,325,208	1,297,495	27,713
Central services	539,754	244,831	231,390	13,441
Other supporting services	-	352,437	372,935	(20,498)
Community services	147,632	155,009	154,948	61
Interdistrict	-	80,000	66,206	13,794
Capital outlay	-	2,023,764	1,561,151	462,613
Debt service:				
Principal repayment	-	-	10,579	(10,579)
Interest and fiscal charges	-	-	5,357	(5,357)
Total Expenditures	18,909,590	24,253,346	22,755,619	1,497,727
Excess (Deficiency) of Revenues Over Expenditures	683,898	(128,341)	613,602	741,943
Other Financing Sources (Uses)				
Inception of lease	-	-	9,714	(9,714)
Proceeds from sale of capital assets	-	152,000	151,653	347
Transfers in	-	64,500	67,975	(3,475)
Transfers out	(90,500)	(10,500)	-	(10,500)
Other transactions	-	36,000	16,471	19,529
Total Other Financing Sources (Uses)	(90,500)	242,000	245,813	(3,813)
Net Change in Fund Balances	593,398	113,659	859,415	738,130
Fund Balances, Beginning of Year	6,407,898	6,407,898	6,407,898	-
Fund Balances, End of Year	\$ 7,001,296	\$ 6,521,557	\$ 7,267,313	\$ 738,130

See accompanying notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Note A – Summary of Significant Accounting Policies

Cheboygan Area Schools (“the District”) was organized under the School Code of the State of Michigan, and services a population of approximately 1,501 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District’s significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-wide and Fund Financial Statements

District-wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resources basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net position is reported in three parts: invested in capital assets, net of related debt; restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2019 Construction Fund are the only major funds. Nonmajor funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separately.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service Special Revenue Fund and the Student/School Activity Special Revenue Fund .

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities with bonds issued after May 1, 1994. For these projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan’s School Code. For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Cheboygan Area Schools has also adopted budgets for its Special Revenue Funds. A school district’s General Appropriations Resolution (the “budget”) must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget.

A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Cheboygan Area Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Chief Financial Officer to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Fund budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventories and Prepaid Items

Inventories are valued at cost (first-in, first-out). Inventories of the Food Service Fund consist of food and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Buildings and improvements, furniture and equipment, and vehicles are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years
Right of use asset - leased equipment	5 years

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance 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 expenditures.

10. Accumulated Sick Leave

Accumulated sick leave at June 30, 2023 have been computed and recorded in the basic financial statements of the District. Employees who leave the District are entitled to reimbursement for a portion of their unused sick days. At June 30, 2023, the accumulated sick leave pay amounted to \$550,669.

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

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

12. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establishes standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

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

13. 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 future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of the net OPEB liability on the financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualifies for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB liability on the financial statements.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

14. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

15. Fund Balance

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.
- Assigned – resources that are constrained by the government’s *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2023, Cheboygan Area Schools had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Cash Equivalents

Balances at June 30, 2023 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	<u>\$ 11,237,389</u>

Depositories actively used by the District during the year are detailed as follows:

1. Citizens National Bank
2. First Community Bank

Cash equivalents consist of bank public funds checking accounts.

June 30, 2023 balances are detailed as follows:

Cash equivalents	<u>\$ 11,237,389</u>
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Custodial Credit Risk Related to Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$11,237,389 and the bank balance was \$11,713,975. Of the bank balance, \$643,073 was covered by federal depository insurance and \$11,070,902 was uninsured and uncollateralized.

Investments

As of June 30, 2023 the District had no surplus funds that were classified as investments. The District's policies to minimize investment risk are as follows:

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may 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 by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business. At June 30, 2023, the District had no investments that were subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy does not specifically address credit risk but minimizes its credit risk by limiting investments to the types allowed by the State.

Interest Rate Risk

The District minimizes 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 funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Concentration of Credit Risk

The District minimizes 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. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

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

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2022 and October 2022. The 2022-23 "Foundation Allowance" for Cheboygan Area Schools was \$9,150 for 1,504 "Full Time Equivalent" students, generating \$12,867,468 in State aid payments to the District of which \$2,332,831 was paid to the District in July and August 2023 and included in "Due From Other Governmental Units" in the General Fund and Food Service Fund of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien date) under a split-levy system by the City of Cheboygan, and the Townships of Bearinger, Aloha, Beaugrand, Benton, Grant, Hebron, Inverness, Mullett, and Munro, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Presque Isle and Cheboygan, through their Delinquent Tax Revolving Fund, advance all delinquent real property taxes at March 1 to the District each year prior to June 30.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

Cheboygan Area Schools' electors had previously (May 2018) approved an 18-mill operating millage extension. In 2022-23, the District levied 2.25 mills for debt service purposes, and 0.5520 mills for building and site, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRES.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the Counties of Presque Isle and Cheboygan with local businesses under the Plant Rehabilitation and Industrial Development Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended, which provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2023, property tax revenues were reduced by approximately \$17,765 under these agreements.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds, representing interfund receivables and payables for year-end expenditure allocations not reimbursed at June 30, 2023, are detailed as follows:

<u>Major Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ 154,538	\$ -
Debt Service Fund:		
Consolidated Debt Service	-	8,298
Capital Projects Fund:		
2019 Construction Fund:		
Building & Site Sinking Fund	-	20,100
Total Major Funds	<u>154,538</u>	<u>28,398</u>
<u>Nonmajor Fund:</u>		
Special Revenue Fund:		
Food Service Fund:		
General Fund		154,538
Debt Service Fund:		
Consolidated Debt Service Fund:		
General Fund	8,298	-
Capital Projects Fund:		
Building & Site Sinking Fund:		
2019 Construction Fund	20,100	-
Total Nonmajor Funds	<u>28,398</u>	<u>154,538</u>
Total All Funds	<u><u>\$ 182,936</u></u>	<u><u>\$ 182,936</u></u>

Transfers between funds during the year ended June 30, 2023 were as follows:

<u>Major Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ 67,975	\$ -
<u>Nonmajor Funds</u>		
Special Revenue Funds:		
Food Service Fund:		
General Fund	-	67,975
Total All Funds	<u><u>\$ 67,975</u></u>	<u><u>\$ 67,975</u></u>

The transfers between the General Fund and Food Service Fund were to transfer an indirect cost allocation and to assist with reimbursement of expenditures.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Note E – Capital Assets

	<u>Balances July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ 20,000	\$ 80,000
Construction in progress	865,128	1,825,002	2,590,324	99,806
Total capital assets not being depreciated	<u>965,128</u>	<u>\$ 1,825,002</u>	<u>\$ 2,610,324</u>	<u>179,806</u>
Capital assets being depreciated:				
Buildings and improvements	28,019,709	\$ 2,916,307	\$ -	30,936,016
Furniture and equipment	2,898,455	339,072	341,688	2,895,839
Vehicles	2,444,202	-	-	2,444,202
Right of use asset - leased equipment	41,441	9,714	-	51,155
Total capital assets being depreciated	<u>33,403,807</u>	<u>\$ 3,265,093</u>	<u>\$ 341,688</u>	<u>36,327,212</u>
Less accumulated depreciation for:				
Buildings and improvements	15,328,000	\$ 773,499	\$ -	16,101,499
Furniture and equipment	1,699,097	252,845	341,688	1,610,254
Vehicles	1,691,609	201,073	-	1,892,682
Less accumulated amortization for:				
Right of use asset - leased equipment	<u>9,669</u>	<u>8,937</u>	<u>-</u>	<u>18,606</u>
Total accumulated depreciation and amortized	<u>18,728,375</u>	<u>\$ 1,236,354</u>	<u>\$ 341,688</u>	<u>19,623,041</u>
Total capital assets being depreciated/amortized, net	<u>14,675,432</u>			<u>16,704,171</u>
Net Capital Assets	<u>\$ 15,640,560</u>			<u>\$ 16,883,977</u>

Depreciation expense for the District was \$1,236,354. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Note F – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2023 are summarized as follows:

	Debt Outstanding July 1, 2022	Debt Added	Debt Retired	Debt Outstanding June 30, 2023
General obligation bonds:				
April 21, 2015	\$ 730,000	\$ -	\$ 730,000	\$ -
April 15, 2019	2,775,000	-	650,000	2,125,000
May 22, 2023	-	2,840,000	-	2,840,000
Bond premium	75,184	136,880	29,595	182,469
Lease liabilities	37,160	9,714	10,579	36,295
Accumulated sick leave*	678,791	-	128,122	550,669
	<u>\$ 4,296,135</u>	<u>\$ 2,986,594</u>	<u>\$ 1,548,296</u>	<u>\$ 5,734,433</u>

**Net change only reported, consistent with GASB Statement No. 101 implementation. See Note K.*

Long-term obligations at June 30, 2023 is comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
Serial Bonds:				
\$3,600K 2019 Series II Bldg and Site				
Annual maturities of \$700K to \$725K	May 1, 2026	3.00%	\$ 2,125,000	\$ 700,000
\$2,840K 2023 School Building and Site				
Annual maturities of \$560K to \$600k	May 1, 2028	5.00	2,840,000	600,000
Bond premium			182,469	50,039
Lease Liabilities				
\$73,598 Copier leases				
Annual maturities of \$2,147 to \$11,101	April, 2028	14.09 - 27.89	36,295	9,820
Other Obligations				
Accumulated sick leave			550,669	130,000
			<u>\$ 5,734,433</u>	<u>\$ 1,489,859</u>

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

The annual requirements to pay principal and interest on long-term bonds and lease liabilities outstanding are as follows:

Year Ending June 30	<u>General Obligation Bonds</u>		<u>Lease Liabilities</u>		
	Principal	Interest	Principal	Interest	Total
2024	\$ 1,300,000	\$ 186,028	\$ 9,820	\$ 5,817	\$ 1,501,665
2025	1,260,000	154,750	11,101	4,306	1,430,157
2026	1,285,000	105,750	10,828	2,539	1,404,117
2027	560,000	56,000	2,398	769	619,167
2028	560,000	28,000	2,147	195	590,342
	<u>\$ 4,965,000</u>	<u>\$ 530,528</u>	<u>\$ 36,295</u>	<u>\$ 13,625</u>	<u>\$ 5,545,448</u>

Note G – Retirement Plan

Plan Description

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

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

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

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements based on when the employee became a member. The age and service requirements range from attaining the age of 46 to 60 with years or service ranging from 5 to 30 years. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full year and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. Certain employees have the option to participate in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions. The System also provides disability and survivor benefits to DB plan members.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

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

Contributions and Funded Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the plan fiscal year ended September 30, 2022.

Pension Contribution Rates:			
Plan Name	Plan Status	Member	District
Basic	Closed	0.0 – 4.0 %	20.14%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	20.14%
Pension Plus	Closed	3.0 – 6.4 %	17.22%
Pension Plus 2	Open	6.2%	19.93%
Defined Contribution	Open	0.0%	13.73%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2023, inclusive of the MSPERS UAAL Stabilization, totaled \$3,404,276.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Proportionate Share of Reporting Unit's Net Pension Liability

At June 30, 2023, the District reported a liability of \$33,853,135 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was 0.09001406%, which was a decrease from 0.09247308% at September 30, 2021.

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

For the year ended June 30, 2023, the District recognized pension expense of \$3,535,170. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 338,649	\$ 75,692
Changes of assumptions	5,817,182	—
Net difference between projected and actual earnings on pension plan investments	79,386	—
Changes in proportion and differences between District contributions and proportionate share of contributions	—	1,049,607
District contributions subsequent to the measurement date*	3,122,208	—
Total	\$ 9,357,425	\$ 1,125,299

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Year ending June 30	Amount
2024	\$ 1,324,241
2025	1,004,350
2026	908,887
2027	1,872,440

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	6.00% net of investment expenses
Pension Plus Plan (Hybrid):	6.00% net of investment expenses
Pension Plus 2:	6.00% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living Adjustments:	3% annual non-compounded for MIP members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	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.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022 is based on the results of an actuarial valuation date of September 30, 2021 and rolled forward using general accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.3922 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at (www.michigan.gov/orsschools).

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity Pools	15.0%	6.7%
Fixed Income Pools	13.0%	(0.2)%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short-term Investment Pools	2.0%	(0.5)%
Total	100.0%	

*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.18)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.0% was used to measure the total pension liability (6.0% for the Pension Plus Plan , 6.0% for the Pension Plus 2 Plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.0% (6.0% for the Pension Plus Plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.0%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.0%	Current Single Discount Rate Assumption 6.0%	1% Increase 7.0%
District's proportionate share of the net pension liability	\$44,673,562	\$33,853,135	\$24,936,616

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System September 30, 2022 Annual Comprehensive Financial Report, available here: (www.michigan.gov/orsschools).

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

Payables to the pension plan totaling \$591,879 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note H – Other Postemployment Benefits

Plan Description

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

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

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

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

CHEBOYGAN AREA SCHOOLS
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Benefits Provided

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

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 were deposited into their 401(k) account.

Contributions and Funded Status

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2022:

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0 %	7.23%

Required contributions to the OPEB plan from the District were \$730,409 the year ended June 30, 2023.

Proportionate Share of Reporting Unit's Net OPEB Liability

At June 30, 2023, the District reported a liability of \$1,893,466 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was 0.08939612%, which was a decrease from 0.09272967% at September 30, 2021.

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

For the year ended June 30, 2023, the District recognized OPEB credit of \$895,540. At June 30, 2023, 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>
Difference between expected and actual experience	\$ —	\$ 3,708,574
Changes of assumptions	1,687,707	137,423
Net difference between projected and actual earnings on OPEB plan investments	147,989	—
Changes in proportion and differences between District contributions and proportionate share of contributions	16,813	378,797
District contributions subsequent to the measurement date*	621,331	—
Total	<u>\$ 2,473,840</u>	<u>\$ 4,224,794</u>

* This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

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

Year ending June 30	Amount
2024	\$ (847,347)
2025	(721,458)
2026	(635,952)
2027	(87,364)
2028	(72,172)
Thereafter	(7,992)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Asset Valuation Method:	Fair Value
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	Pre-65 - 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65 - 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	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.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Other Assumptions:

Opt Out Assumptions:	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage:	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 202 is based on the results of an actuarial valuation date of September 30, 2021 and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.2250 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were provided by the Bureau of Investments (BOI) for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity Pools	15.0%	6.7%
Fixed Income Pools	13.0%	(0.2)%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short-term Investment Pools	2.0%	(0.5)%
Total	100.0%	

* Long-term rates of return are net of administrative expenses and 2.2% inflation.

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (4.99)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.0% 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 6.0%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.00 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.0%	Current Discount Rate 6.0%	1% Increase 7.0%
District's proportionate share of the net OPEB liability	\$3,176,107	\$1,893,466	\$813,323

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$792,893	\$1,893,466	\$3,128,881

CHEBOYGAN AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling \$68,345 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note I – Risk Management and Employee Benefits

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

There were no significant reductions in insurance coverage in fiscal 2022-23, and as of year ended June 30, 2023, there were no material pending claims against the District.

Note J – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of \$22,548,785 and a total net position deficit of \$5,909,601, as of June 30, 2023. These deficit net positions result primarily from the net pension liability of \$25,621,009, and net OPEB liability of \$3,644,420 (including deferred outflows and inflows of resources).

Note K – New Accounting Pronouncement

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, and No. 101, *Compensated Absences*, was adopted by the District during the fiscal year ending June 30, 2023. GASB Statement No. 96 enhances the relevance and consistency of information about governments' SBITAs by requiring recognition of right-to-use subscription assets and a corresponding subscription liability. GASB Statement No. 101, amends the existing requirement to disclose the gross increases and decreases in a liability to allow governments to disclose only the net change in the liability. Upon implementation of GASB Statement No. 96, the District was not required to recognize a right-to-use subscription asset or subscription liability as of July 1, 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

CHEBOYGAN AREA SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
District's proportion of the net pension liability	0.09001406%	0.09247308%	0.09326406%
District's proportionate share of the net pension liability	\$ 33,853,135	\$ 21,893,383	\$ 32,037,219
District's covered-employee payroll	\$ 9,219,727	\$ 8,347,940	\$ 8,174,734
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	367.18%	262.26%	391.91%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying notes to required supplementary information.

<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
0.09501080%	0.09802900%	0.10016900%	0.10213700%	0.10549800%	0.10915000%
\$ 31,464,383	\$ 29,469,224	\$25,957,917	\$ 25,482,366	\$ 25,767,942	\$ 24,040,847
\$ 8,212,079	\$ 8,192,394	\$ 8,354,246	\$ 8,530,875	\$ 8,798,773	\$ 9,347,748
383.15%	359.71%	310.72%	298.71%	292.86%	257.18%
60.31%	62.36%	64.21%	63.01%	62.92%	66.20%

CHEBOYGAN AREA SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPERS Cost-sharing Multiple-employer Plan
June 30, 2023

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>
District's proportion of the net OPEB liability	0.08939612%	0.09272967%
District's proportionate share of the net OPEB liability	\$ 1,893,466	\$ 1,415,405
District's covered-employee payroll	\$ 9,219,727	\$ 8,347,940
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	20.54%	16.96%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being build prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
0.09246907%	0.09415650%	0.09642300%	0.10020600%
\$ 4,953,815	\$ 6,758,313	\$ 7,664,647	\$ 8,873,712
\$ 8,174,734	\$ 8,212,079	\$ 8,192,394	\$ 8,354,246
60.60%	82.30%	93.56%	106.22%
59.44%	48.46%	42.95%	36.39%

CHEBOYGAN AREA SCHOOLS
Required Supplementary Information
Schedule of District Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>
Contractually required contribution	\$ 3,404,276	\$ 3,089,771	\$ 2,732,126	\$ 2,575,006
Contributions in relation to the contractually required contribution	<u>3,404,276</u>	<u>3,089,771</u>	<u>2,732,126</u>	<u>2,575,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,348,687	\$ 8,435,914	\$ 7,914,347	\$ 8,170,746
Contributions as a percentage covered employee payroll	36.41%	36.63%	34.52%	31.51%

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
\$ 2,669,345	\$ 2,349,483	\$ 2,108,841	\$ 2,445,157	\$ 2,025,328
<u>2,669,345</u>	<u>2,349,483</u>	<u>2,108,841</u>	<u>2,445,157</u>	<u>2,025,328</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,228,667	\$ 8,197,525	\$ 8,530,875	\$ 8,798,773	\$ 9,347,748
32.44%	28.66%	24.72%	27.79%	21.67%

CHEBOYGAN AREA SCHOOLS
Required Supplementary Information
Schedule of District OPEB Contributions
MPERS Cost-sharing Multiple-employer Plan
June 30, 2023

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>
Contractually required contribution	\$ 730,409	\$ 656,105
Contributions in relation to the contractually required contribution	<u>730,409</u>	<u>656,105</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,348,687	\$ 8,435,914
Contributions as a percentage of covered employee payroll	7.81%	7.78%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
\$ 627,308	\$ 643,678	\$ 625,881	\$ 780,146
<u>627,308</u>	<u>643,678</u>	<u>625,881</u>	<u>780,146</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,914,347	\$ 8,170,746	\$ 8,228,667	\$ 8,197,525
7.93%	7.88%	7.61%	9.52%

CHEBOYGAN AREA SCHOOLS
Notes to Required Supplementary Information
June 30, 2023

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2022-23.

Changes of assumptions: There were no changes of benefit assumptions in 2022-23.

Note B – Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2022-23.

Changes of assumptions: There were no changes of benefit assumptions in 2022-23.

NONMAJOR GOVERNMENTAL FUNDS

CHEBOYGAN AREA SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2023

	Special Revenue		Debt Service
	Food Service	Student/School Activity	Consolidated
Assets			
Cash equivalents	\$ 611,412	\$ 503,783	\$ 143,073
Due from other funds	-	-	8,298
Due from other governmental units	41,519	-	-
Inventory	18,071	-	-
Total Assets	<u>\$ 671,002</u>	<u>\$ 503,783</u>	<u>\$ 151,371</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 17,919	\$ -	\$ -
Due to other funds	154,538	-	-
Unearned revenue	2,437	-	-
Total Liabilities	<u>\$ 174,894</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances			
Nonspendable	\$ 18,071	\$ -	\$ -
Restricted	478,037	503,783	151,371
Total Fund Balances	<u>496,108</u>	<u>503,783</u>	<u>151,371</u>
Total Liabilities and Fund Balances	<u>\$ 671,002</u>	<u>\$ 503,783</u>	<u>\$ 151,371</u>

Capital Projects	
Building & Site Sinking	Total
\$ 825,996	\$ 2,084,264
20,100	28,398
-	41,519
-	18,071
<u>\$ 846,096</u>	<u>\$ 2,172,252</u>

\$ -	\$ 17,919
-	154,538
-	2,437
<u>\$ -</u>	<u>\$ 174,894</u>

\$ -	\$ 18,071
<u>846,096</u>	<u>1,979,287</u>
<u>846,096</u>	<u>1,997,358</u>
<u>\$ 846,096</u>	<u>\$ 2,172,252</u>

CHEBOYGAN AREA SCHOOLS
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2023

	Special Revenue		Debt Service
	Food Service	Student/School Activity	Consolidated
Revenues			
Local sources:			
Property taxes	\$ -	\$ -	\$ 1,532,380
Interest earnings	289	-	2,243
Food sales	58,285	-	-
Other local sources	-	510,292	-
Total local sources	58,574	510,292	1,534,623
State sources	35,403	-	7,477
Federal sources	948,892	-	-
Total Revenues	1,042,869	510,292	1,542,100
Expenditures			
Current:			
Food service	1,122,458	-	-
Support services	-	464,115	-
Capital outlay	-	-	-
Debt service:			
Principal repayment	-	-	1,380,000
Interest and fiscal charges	-	-	105,650
Total Expenditures	1,122,458	464,115	1,485,650
Excess (Deficiency) of Revenues Over Expenditures	(79,589)	46,177	56,450
Other Financing Uses			
Transfers out	(67,975)	-	-
Net Change in Fund Balances	(147,564)	46,177	56,450
Fund Balances, Beginning of Year	643,672	457,606	94,921
Fund Balances, End of Year	\$ 496,108	\$ 503,783	\$ 151,371

<u>Capital Projects</u>	
<u>Building & Site Sinking</u>	<u>Total</u>
\$ 375,978	\$ 1,908,358
-	2,532
-	58,285
-	510,292
375,978	2,479,467
-	42,880
-	948,892
375,978	3,471,239
-	1,122,458
-	464,115
249,951	249,951
-	1,380,000
-	105,650
249,951	3,322,174
126,027	149,065
-	(67,975)
126,027	81,090
720,069	1,916,268
<u>\$ 846,096</u>	<u>\$ 1,997,358</u>

CHEBOYGAN AREA SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	\$ 63,200	\$ 58,574	\$ (4,626)
State sources	26,986	35,403	8,417
Federal sources	<u>1,080,780</u>	<u>948,892</u>	<u>(131,888)</u>
Total Revenues	<u>1,170,966</u>	<u>1,042,869</u>	<u>(128,097)</u>
Expenditures			
Current:			
Food service	<u>1,341,011</u>	<u>1,122,458</u>	<u>218,553</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(170,045)</u>	<u>(79,589)</u>	<u>(346,650)</u>
Other Financing Uses			
Transfers out	<u>(64,500)</u>	<u>(67,975)</u>	<u>(3,475)</u>
Net Change in Fund Balance	(234,545)	(147,564)	86,981
Fund Balance, Beginning of Year	<u>643,672</u>	<u>643,672</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 409,127</u></u>	<u><u>\$ 496,108</u></u>	<u><u>\$ 86,981</u></u>

CHEBOYGAN AREA SCHOOLS
Student/School Activity Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	\$ 550,000	\$ 510,292	\$ (39,708)
Expenditures			
Supporting services:			
Other student/school activity	<u>550,000</u>	<u>464,115</u>	<u>85,885</u>
Net Change in Fund Balance	-	46,177	46,177
Fund Balance, Beginning of Year	<u>457,606</u>	<u>457,606</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 457,606</u></u>	<u><u>\$ 503,783</u></u>	<u><u>\$ 46,177</u></u>