

Springport Public
Schools



Year Ended
June 30, 2023

Financial
Statements

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SPRINGPORT PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 16, 2023

Board of Education
Springport Public Schools
Springport, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Springport Public Schools** (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and food service special revenue 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plan, 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 the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 16, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SPRINGPORT PUBLIC SCHOOLS

Management's Discussion and Analysis

As management of Springport Public 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.

Financial Highlights

· Total net position	\$ (6,925,476)
· Change in total net position	2,069,978
· Fund balances, governmental funds	3,645,893
· Change in fund balances, governmental funds	(594,270)
· Unassigned fund balance, general fund	2,549,937
· Change in fund balance, general fund	(117,143)
· Bonds, notes, and other long-term liabilities outstanding	5,489,720
· Change in bonds, notes, and other long-term liabilities	(1,366,309)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

1. *Government-wide Financial Statements*
2. *Fund Financial Statements*
3. *Notes to the Financial Statements*

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to the private business sector.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual balance reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

SPRINGPORT PUBLIC SCHOOLS

Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, community services, athletics, and food service. The District had no business-type activities as of and for the year ended June 30, 2023.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District are *governmental funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Readers may better understand the long-term impact of the government's near-term financing decisions by doing it this way. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of fund revenues, expenditures, and changes in fund balances for the general fund and the food service special revenue fund, which are the District's major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with the general and food service special revenue funds budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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Management's Discussion and Analysis

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$6,925,476 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g. land, construction in progress, land improvements, buildings and improvements, equipment and furniture, vehicles, and subscription assets); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	2023	2022
Assets		
Current and other assets	\$ 5,330,833	\$ 5,517,423
Capital assets, net	12,892,203	12,178,752
Total assets	<u>18,223,036</u>	<u>17,696,175</u>
Deferred outflows of resources	<u>8,664,982</u>	<u>5,229,931</u>
Liabilities		
Long-term liabilities	29,170,294	22,623,850
Other liabilities	1,728,081	1,322,092
Total liabilities	<u>30,898,375</u>	<u>23,945,942</u>
Deferred inflows of resources	<u>2,915,119</u>	<u>7,975,618</u>
Net position		
Net investment in capital assets	6,972,106	5,462,861
Restricted	895,270	885,715
Unrestricted (deficit)	(14,792,852)	(15,344,030)
Total net position	<u>\$ (6,925,476)</u>	<u>\$ (8,995,454)</u>

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Management's Discussion and Analysis

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the change in net position for the fiscal year 2023.

Governmental Activities

Net position increased by \$2,069,978. The key elements of this increase included many different grants that the District utilized including ESSER III, ESSER II 98c (learning loss), 97 Safety Grant funds, and an increase in At-Risk funding.

	Change in Net Position	
	2023	2022
Revenues		
Program revenues:		
Charges for services	\$ 263,003	\$ 113,978
Operating grants and contributions	5,201,807	4,871,955
General revenues:		
Property taxes	2,947,232	2,792,825
Unrestricted state aid	7,637,055	6,998,054
Grants and contributions not restricted to specific programs	145,262	103,824
Unrestricted investment earnings	4,280	1,805
Total revenues	<u>16,198,639</u>	<u>14,882,441</u>
Expenses		
Instruction	7,818,185	6,996,427
Supporting services	3,937,891	3,707,292
Community services	1,383	1,874
Athletics	388,581	264,579
Food service	1,017,660	977,798
Interest on long-term liabilities	155,093	198,833
Unallocated depreciation/amortization	809,868	744,400
Total expenses	<u>14,128,661</u>	<u>12,891,203</u>
Change in net position	2,069,978	1,991,238
Net position, beginning of year	<u>(8,995,454)</u>	<u>(10,986,692)</u>
Net position, end of year	<u>\$ (6,925,476)</u>	<u>\$ (8,995,454)</u>

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Management's Discussion and Analysis

The District is required to report its proportionate share of the MPSERS net pension liability and net other postemployment benefits liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of \$6,925,476. Of this amount, \$(14,792,852) is unrestricted net position (deficit) and \$895,270 represents resources that are subject to external restrictions on how they may be used. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,645,893. Approximately 69.9% of this total amount (\$2,549,937) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending because the underlying assets are included in inventory and are not available for current expenditure, it is constrained by externally imposed restrictions, or committed for student/school activities.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,549,937 while the total fund balance was \$2,576,221. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 18.6% and 18.8%, respectively, of total general fund expenditures.

The fund balance of the District's general fund decreased by \$117,143 during the current fiscal year. This is largely attributable to the emergency purchase of six new busses to allow for a safe and functional fleet for the District.

As of the end of the current fiscal year, the food service special revenue fund had a total fund balance of \$765,418. The fund balance increased by \$17,476 during the current fiscal year. This is attributable a decrease in capital outlay in the current year in comparison to prior year which included several equipment upgrades.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted at year end. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided with the governmental fund section in these financial statements.

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Management's Discussion and Analysis

The original budget is adopted by the school board before the start of the District's fiscal year and the final amended budget is adopted at the end of the fiscal year. The difference between the two relates to adjustments made in salaries, benefits, and general expenditures throughout the course of the year. Once the adjustments are known, the budget is adjusted accordingly.

The change between the original and final amended budget for revenues was an increase of \$986,923. State sources increased by \$1,136,517 due to new state grants that became available during the 22-23 year including the mental health grant - per pupil (31aa), school safety - per pupil grant (97), critical incidence mapping grant (97d), a higher than expected per pupil foundation allowance, as well as full funding of At-Risk dollars. Federal sources decreased by \$304,435 due to including all federal funding in the initial budget, however, at year end only recognizing the expenditures that were spent in 22-23.

The change between the original and final amended budget for expenditures was an increase of \$1,233,320 over the original budget. Total instruction costs increased by \$920,928. Total supporting services increased by \$248,872. These increases are attributed to a new UAAL in/out retirement payment that had to funnel through these functions equaling nearly \$560,000. Athletics increased by \$101,418 as the District paid for the new Lynx timing system for track and field, as well as a new pole vault pit. The District also had higher coaching costs as the percentages are based on the SEA schedule which was increased in 22-23.

The actual revenues of \$13,497,982 were less than budgeted by \$228,215, and the \$13,674,729 of expenditures were \$354,844 less than budget. The actual revenues and expenditures were less than the final budgeted amounts as a result of the ESSER III grant estimates for the work done in June being higher than actually expended. These amounts will roll over to 23-24, and will be allocated and expended next fiscal year.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$12,892,203 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, equipment and furniture, vehicles, and subscription assets.

The major capital asset events during the year were as follows:

- Six (6) buses added to our fleet: Four (4) used and Two (2) new
- In process of adding new boiler systems in middle school, new windows in the elementary, and new flooring in the cafeteria
- Added Six (6) Fork Farms Hydroponics machines to our food service program

SPRINGPORT PUBLIC SCHOOLS

Management's Discussion and Analysis

	Capital Assets (Net of Depreciation/ Amortization)	
	2023	2022
Land	\$ 50,248	\$ 50,248
Construction in progress	238,659	-
Land improvements	460	920
Buildings and improvements	10,653,892	10,498,778
Equipment and furniture	1,261,927	1,426,672
Vehicles	581,406	183,177
Subscription assets	105,611	18,957
Total capital assets, net	\$ 12,892,203	\$ 12,178,752

Additional information regarding the District's capital assets can be found in the notes to the financial statements.

Long-term Debt. At the end of the current fiscal year, the District had total long-term liabilities outstanding of \$6,357,199.

	Long-term Debt	
	2023	2022
Bonds payable	\$ 5,235,000	\$ 6,478,337
Notes payable	247,100	354,096
Installment purchase obligation	663	4,639
Subscription liability	6,957	-
Unamortized premium	589,117	736,397
Compensated absences	278,362	236,441
Total	\$ 6,357,199	\$ 7,809,910

The District's total debt decreased by \$1,452,711 during the current fiscal year. This decrease was due to the scheduled debt service payments made during the fiscal year.

Additional information regarding the District's long-term debt can be found in the notes to the financial statements.

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Management's Discussion and Analysis

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2023-2024 fiscal year:

- The foundation allowance was budgeted with an increase of \$458 per pupil to \$9,608
- Student count budgeted at a blended FTE of 980
- The remainder of ESSER III funds will be spent along with more new grants becoming available
- Bargaining unit increases including SEA at 2.5% and steps for 23-24 and admin increase of 2.5%
- MPSERS Retirement Rate increase of 3.11%, which represents approximately \$200,000

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, P.O. Box 100, Springport, MI 49284.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SPRINGPORT PUBLIC SCHOOLS

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,014,591
Receivables	2,277,046
Inventory	39,196
Capital assets not being depreciated	288,907
Capital assets being depreciated/amortized, net	12,603,296
Total assets	18,223,036
Deferred outflows of resources	
Deferred charges on refunding	158,740
Deferred pension amounts	6,788,275
Deferred other postemployment benefit amounts	1,717,967
Total deferred outflows of resources	8,664,982
Liabilities	
Accounts payable and accrued liabilities	1,409,299
Unearned revenue	318,782
Bonds, notes and other long-term liabilities:	
Due within one year	1,466,313
Due in more than one year	4,890,886
Net pension liability (due in more than one year)	21,638,282
Net other postemployment benefit liability (due in more than one year)	1,174,813
Total liabilities	30,898,375
Deferred inflows of resources	
Deferred pension amounts	310,788
Deferred other postemployment benefit amounts	2,604,331
Total deferred inflows of resources	2,915,119
Net position	
Net investment in capital assets	6,972,106
Restricted for:	
Food service	765,418
Debt service	129,852
Unrestricted (deficit)	(14,792,852)
Total net position	\$ (6,925,476)

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

SPRINGPORT PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 7,818,185	\$ -	\$ 4,079,836	\$ (3,738,349)
Supporting services	3,937,891	-	187,133	(3,750,758)
Community services	1,383	-	-	(1,383)
Athletics	388,581	78,697	-	(309,884)
Food service	1,017,660	184,306	934,838	101,484
Interest on long-term liabilities	155,093	-	-	(155,093)
Unallocated depreciation/amortization	809,868	-	-	(809,868)
Total governmental activities	<u>\$ 14,128,661</u>	<u>\$ 263,003</u>	<u>\$ 5,201,807</u>	<u>(8,663,851)</u>
General revenues				
Property taxes				2,947,232
Unrestricted state aid				7,637,055
Grants and contributions not restricted to specific programs				145,262
Unrestricted investment earnings				<u>4,280</u>
Total general revenues				<u>10,733,829</u>
Change in net position				2,069,978
Net position, beginning of year				<u>(8,995,454)</u>
Net position, end of year				<u>\$ (6,925,476)</u>

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

FUND FINANCIAL STATEMENTS

SPRINGPORT PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2023

	General Fund	Food Service Special Revenue Fund	Nonmajor Funds	Totals
Assets				
Cash and cash equivalents	\$ 1,904,950	\$ 794,517	\$ 315,124	\$ 3,014,591
Accounts receivable	21,595	-	-	21,595
Due from other governments	2,223,247	32,204	-	2,255,451
Due from other funds	83,820	20,824	11,652	116,296
Inventory	26,284	12,912	-	39,196
Total assets	<u>\$ 4,259,896</u>	<u>\$ 860,457</u>	<u>\$ 326,776</u>	<u>\$ 5,447,129</u>
Liabilities				
Accounts payable	\$ 119,984	\$ 5,244	\$ 8,770	\$ 133,998
Salaries and retirement payable	1,227,747	4,413	-	1,232,160
Due to other funds	23,611	78,933	13,752	116,296
Unearned revenue	312,333	6,449	-	318,782
Total liabilities	<u>1,683,675</u>	<u>95,039</u>	<u>22,522</u>	<u>1,801,236</u>
Fund balances				
Nonspendable -				
Inventory	26,284	12,912	-	39,196
Restricted:				
Food service	-	752,506	-	752,506
Debt service	-	-	172,993	172,993
Committed -				
Student/school activities	-	-	131,261	131,261
Unassigned	2,549,937	-	-	2,549,937
Total fund balances	<u>2,576,221</u>	<u>765,418</u>	<u>304,254</u>	<u>3,645,893</u>
Total liabilities and fund balances	<u>\$ 4,259,896</u>	<u>\$ 860,457</u>	<u>\$ 326,776</u>	<u>\$ 5,447,129</u>

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

SPRINGPORT PUBLIC SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2023

Fund balances - total governmental funds	\$ 3,645,893
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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 in the funds.

Capital assets not being depreciated	288,907
Capital assets being depreciated/amortized, net	12,603,296

Certain liabilities, such as bonds payable, are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Bonds, notes, and other long-term liabilities	(5,489,720)
Unamortized bond premium	(589,117)
Unamortized charge on bond refunding	158,740
Accrued interest on bonds payable	(43,141)
Compensated absences	(278,362)

Certain pension and other postemployment benefit-related amounts, such as the net pension and other postemployment benefit liabilities and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(21,638,282)
Net other postemployment benefit liability	(1,174,813)
Deferred outflows related to the net pension liability	6,788,275
Deferred outflows related to the net other postemployment benefit liability	1,717,967
Deferred inflows related to the net pension liability	(310,788)
Deferred inflows related to the net other postemployment benefit liability	(2,604,331)

Net position of governmental activities	<u>\$ (6,925,476)</u>
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The accompanying notes are an integral part of these financial statements.

SPRINGPORT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2023

	General Fund	Food Service Special Revenue Fund	Nonmajor Funds	Totals
Revenues				
Local sources:				
Property taxes	\$ 1,525,216	\$ -	\$ 1,422,016	\$ 2,947,232
Interest	2,466	882	932	4,280
Food sales	-	184,306	-	184,306
Student/school activity	-	-	157,683	157,683
Athletics	78,697	-	-	78,697
Other local revenues	145,262	-	-	145,262
Transfers from other governments	516,955	-	-	516,955
State sources	10,444,695	12,078	-	10,456,773
Federal sources	784,691	922,760	-	1,707,451
Total revenues	13,497,982	1,120,026	1,580,631	16,198,639
Expenditures				
Current:				
Instruction	8,159,331	-	-	8,159,331
Supporting services	4,067,583	-	167,025	4,234,608
Community services	1,383	-	-	1,383
Athletics	392,475	-	-	392,475
Food service	-	993,608	-	993,608
Debt service:				
Principal repayment	208,349	3,976	1,175,000	1,387,325
Interest and fiscal charges	6,910	-	257,470	264,380
Capital outlay	838,698	66,628	475,739	1,381,065
Total expenditures	13,674,729	1,064,212	2,075,234	16,814,175
Revenues over (under) expenditures	(176,747)	55,814	(494,603)	(615,536)
Other financing sources (uses)				
Issuance of long-term liabilities	21,016	-	-	21,016
Insurance recoveries	250	-	-	250
Transfers in	38,338	-	-	38,338
Transfers out	-	(38,338)	-	(38,338)
Total other financing sources (uses)	59,604	(38,338)	-	21,266
Net change in fund balances	(117,143)	17,476	(494,603)	(594,270)
Fund balances, beginning of year	2,693,364	747,942	798,857	4,240,163
Fund balances, end of year	\$ 2,576,221	\$ 765,418	\$ 304,254	\$ 3,645,893

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

SPRINGPORT PUBLIC SCHOOLS

Reconciliation

Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds	\$ (594,270)
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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 those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital assets purchased	1,523,319
Depreciation/amortization expense	(809,868)

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term debt in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.

Issuance of long-term liabilities	(21,016)
Principal payments on bonds, notes, and other long-term liabilities	1,387,325
Amortization of bond premium	147,280
Amortization of deferred charge on refunding	(39,684)

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

Change in the net pension liability and related deferred amounts	(314,138)
Change in the net other postemployment benefit liability and related deferred amounts	831,260
Change in accrued interest payable on bonds	1,691
Change in the accrual for compensated absences	(41,921)

Change in net position of governmental activities	<u>\$ 2,069,978</u>
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The accompanying notes are an integral part of these financial statements.

SPRINGPORT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 1,442,327	\$ 1,518,924	\$ 1,525,216	\$ 6,292
Interest	800	2,008	2,466	458
Athletics	68,300	78,697	78,697	-
Other local revenues	88,186	137,048	145,262	8,214
Transfers from other governments:				
Special education - ISD	455,178	478,050	478,050	-
Other grants	44,000	38,905	38,905	-
Total revenues from local sources	<u>2,098,791</u>	<u>2,253,632</u>	<u>2,268,596</u>	<u>14,964</u>
State sources:				
State school aid - unrestricted	7,428,014	7,650,018	7,637,055	(12,963)
At risk	461,893	656,604	637,509	(19,095)
Other	1,523,739	2,243,541	2,170,131	(73,410)
Total revenues from state sources	<u>9,413,646</u>	<u>10,550,163</u>	<u>10,444,695</u>	<u>(105,468)</u>
Federal sources:				
Title I	140,983	195,000	174,631	(20,369)
Title II-A	21,920	28,000	17,145	(10,855)
Elementary and Secondary School Emergency Relief	1,051,665	685,838	579,227	(106,611)
Education for Homeless Children	1,750	1,259	1,383	124
Other	10,519	12,305	12,305	-
Total revenues from federal sources	<u>1,226,837</u>	<u>922,402</u>	<u>784,691</u>	<u>(137,711)</u>
Total revenues	<u>12,739,274</u>	<u>13,726,197</u>	<u>13,497,982</u>	<u>(228,215)</u>
Expenditures				
Current:				
Instruction:				
Basic programs:				
Elementary	2,828,878	2,951,460	2,914,439	(37,021)
Middle school	1,220,130	1,557,452	1,551,183	(6,269)
High school	1,449,774	1,661,975	1,652,008	(9,967)
Added needs:				
Special education	995,007	991,304	982,379	(8,925)
Compensatory education	652,811	904,031	850,659	(53,372)
Career/tech prep	212,339	213,645	208,663	(4,982)
Total instruction	<u>7,358,939</u>	<u>8,279,867</u>	<u>8,159,331</u>	<u>(120,536)</u>

continued...

SPRINGPORT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Expenditures (continued)				
Supporting services:				
Guidance services	\$ 117,380	\$ 93,320	\$ 85,246	\$ (8,074)
Pupil support services	147,793	128,350	126,818	(1,532)
Instructional staff	24,920	46,003	37,523	(8,480)
Library	50,160	56,335	54,587	(1,748)
Technology and media	250,911	181,200	177,716	(3,484)
Career prep	9,000	8,950	8,950	-
General administration:				
Board of education	79,846	91,014	73,489	(17,525)
Executive administration	280,094	303,215	297,917	(5,298)
School administration	727,415	852,630	844,630	(8,000)
Business services	182,289	223,369	216,191	(7,178)
Operations and maintenance	1,373,205	1,549,877	1,435,353	(114,524)
Pupil transportation	712,809	679,962	664,922	(15,040)
Staff/personnel services	-	2,000	1,066	(934)
Pupil accounting	12,750	12,750	12,584	(166)
Social work	42,431	30,900	30,591	(309)
Total supporting services	4,011,003	4,259,875	4,067,583	(192,292)
Community services	1,750	1,259	1,383	124
Athletics	303,998	405,416	392,475	(12,941)
Debt service:				
Principal repayment	175,232	169,810	208,349	38,539
Interest and fiscal charges	4,666	5,720	6,910	1,190
Total debt service	179,898	175,530	215,259	39,729
Capital outlay	940,665	907,626	838,698	(68,928)
Total expenditures	12,796,253	14,029,573	13,674,729	(354,844)
Revenues under expenditures	(56,979)	(303,376)	(176,747)	126,629
Other financing sources				
Issuance of long-term liabilities	-	-	21,016	21,016
Insurance recoveries	25,000	250	250	-
Transfers in	45,000	40,000	38,338	(1,662)
Total other financing sources	70,000	40,250	59,604	19,354
Net change in fund balance	13,021	(263,126)	(117,143)	145,983
Fund balance, beginning of year	2,693,364	2,693,364	2,693,364	-
Fund balance, end of year	\$ 2,706,385	\$ 2,430,238	\$ 2,576,221	\$ 145,983

concluded.

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

SPRINGPORT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Food Service Special Revenue Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Local sources:				
Interest	\$ 250	\$ 700	\$ 882	\$ 182
Food sales	58,875	174,150	184,306	10,156
State sources	34,600	10,600	12,078	1,478
Federal sources	1,035,000	923,128	922,760	(368)
Total revenues	<u>1,128,725</u>	<u>1,108,578</u>	<u>1,120,026</u>	<u>11,448</u>
Expenditures				
Current -				
Food service	1,165,440	1,063,651	993,608	(70,043)
Debt service -				
Principal repayment	4,000	4,000	3,976	(24)
Capital outlay	235,000	80,000	66,628	(13,372)
Total expenditures	<u>1,404,440</u>	<u>1,147,651</u>	<u>1,064,212</u>	<u>(83,439)</u>
Revenues over (under) expenditures	(275,715)	(39,073)	55,814	94,887
Other financing uses				
Transfers out	(45,000)	(40,000)	(38,338)	(1,662)
Net change in fund balance	(320,715)	(79,073)	17,476	96,549
Fund balance, beginning of year	<u>747,942</u>	<u>747,942</u>	<u>747,942</u>	<u>-</u>
Fund balance, end of year	<u>\$ 427,227</u>	<u>\$ 668,869</u>	<u>\$ 765,418</u>	<u>\$ 96,549</u>

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

NOTES TO FINANCIAL STATEMENTS

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Springport Public Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants that use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

Property taxes received, intergovernmental revenue, and interest revenue earned within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is used to account for all financial resources of the District, except those accounted for and reported in another fund.

The *food service special revenue fund* is used to account for the food service activity of the District.

The District reports the following fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The *capital projects fund* is used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

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

The effect of interfund activity has been eliminated from the government-wide financial statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non current portion of interfund loans).

Inventory

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the general fund and special revenue funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset	Years
Land improvements	20
Buildings and improvements	10-50
Equipment and furniture	5-20
Vehicles	8

Deferred Outflows of Resources

In addition to assets, the statement of financial 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District reports a deferred outflow of resources for its deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and net other postemployment benefits liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick days. The amount is based on years of service and the number of sick days accumulated. The employee must be employed by the District for 10 years and retire under the Michigan Public School Employees Retirement System to receive their payout.

Subscription-Based Information Technology Arrangements (SBITA)

The District has noncancellable subscription-based information technology arrangements. The District recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

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

Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments. The District uses the interest rate charged by the subscription vendor as the discount rate. When the interest rate charged by the subscription vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the District is reasonably certain to exercise.

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

Long-term Obligations

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of assets, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, the District reports deferred inflows of resources related to pension and other postemployment benefit costs.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or his/her designee. *Unassigned fund balance* is the residual classification for the general fund. The District reported no assigned fund balances.

When the District incurs an expenditure for purposes for which various fund balance classification can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

Pensions and Other Postemployment Benefits

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

Use of Estimates

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

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on an activity basis.

3. ACCOUNTABILITY AND COMPLIANCE

Excess of Expenditures Over Appropriations

During the year ended June 30, 2023, the District incurred expenditures which were in excess of the amounts appropriated, as follows:

	Final Budget	Actual	Over Budget
General fund			
Current -			
Community services	\$ 1,259	\$ 1,383	\$ 124
Debt service:			
Principal repayment	169,810	208,349	38,539
Interest and fiscal charges	5,720	6,910	1,190
Student/school activity special revenue fund			
Supporting services	165,000	167,025	2,025

2020 Capital Projects Fund

The 2020 capital project fund includes capital project activities funded with bonds issued after May 1, 1994. For this fund, the District has complied with the applicable provisions of Section 1351a of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position is as follows:

Statement of Net Position

Cash and cash equivalents	<u>\$ 3,014,591</u>
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Deposits

Bank deposits (checking and savings accounts)	\$ 3,014,291
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Cash on hand	<u>300</u>
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Total	<u><u>\$ 3,014,591</u></u>
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Statutory Authority

State statutes authorize the District to invest in:

(a) 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. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

(b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

(c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

(d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

(e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

(f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the listing of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District had no investments at June 30, 2023.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The District had no investments at June 30, 2023.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$2,877,050 of the District's bank balance of \$3,129,081 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The District had no investments at June 30, 2023.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. The District had no investments at June 30, 2023.

5. RECEIVABLES

Receivables as of year-end for the District are as follows:

	General Fund	Food Service Special Revenue Fund	Total
Accounts receivable	\$ 21,595	\$ -	\$ 21,595
Due from other governments	2,223,247	32,204	2,255,451
	<u>\$ 2,244,842</u>	<u>\$ 32,204</u>	<u>\$ 2,277,046</u>

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	Beginning Balance*	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 50,248	\$ -	\$ -	\$ 50,248
Construction in progress	-	238,659	-	238,659
Total capital assets not being depreciated	50,248	238,659	-	288,907
Capital assets being depreciated/amortized:				
Land improvements	9,207	-	-	9,207
Buildings and improvements	23,270,830	633,533	-	23,904,363
Equipment and furniture	6,807,349	92,177	-	6,899,526
Vehicles	1,295,275	440,626	(108,882)	1,627,019
Subscription assets (Note 10)	18,957	118,324	-	137,281
Total capital assets being depreciated/amortized	31,401,618	1,284,660	(108,882)	32,577,396
Less accumulated depreciation/amortization for:				
Land improvements	(8,287)	(460)	-	(8,747)
Buildings and improvements	(12,772,052)	(478,419)	-	(13,250,471)
Equipment and furniture	(5,380,677)	(256,922)	-	(5,637,599)
Vehicles	(1,112,098)	(42,397)	108,882	(1,045,613)
Subscription assets (Note 10)	-	(31,670)	-	(31,670)
Total accumulated depreciation/amortization	(19,273,114)	(809,868)	108,882	(19,974,100)
Total capital assets being depreciated/amortized, net	12,128,504	474,792	-	12,603,296
Governmental activities capital assets, net	\$ 12,178,752	\$ 713,451	\$ -	\$ 12,892,203

Depreciation/amortization expense of \$809,868 was reported as unallocated depreciation and not charged to specific functions.

At June 30, 2023, the District had outstanding construction commitments through construction contracts of approximately \$580,000 in relation to the ongoing construction projects.

* The District implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in the current year. In accordance with this Statement, subscription assets have been added to the beginning balances shown above and a corresponding subscription liability has been recorded for the same amount.

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Notes to Financial Statements

7. PAYABLES

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Food Service Special Revenue Fund	Nonmajor Funds	Total
Fund Financial Statements:				
Accounts payable	\$ 119,984	\$ 5,244	\$ 8,770	\$ 133,998
Salaries and retirement payable	1,227,747	4,413	-	1,232,160
	<u>\$ 1,347,731</u>	<u>\$ 9,657</u>	<u>\$ 8,770</u>	1,366,158
Government-wide Financial Statements -				
Accrued interest on long-term debt				<u>43,141</u>
				<u>\$ 1,409,299</u>

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2023, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 83,820	\$ 23,611
Food service special revenue fund	20,824	78,933
Nonmajor governmental funds	<u>11,652</u>	<u>13,752</u>
	<u>\$ 116,296</u>	<u>\$ 116,296</u>

The District often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended June 30, 2023, interfund transfers consisted of the following:

	Transfers out	Transfers in
General fund	\$ -	\$ 38,338
Food service special revenue fund	<u>38,338</u>	<u>-</u>
	<u>\$ 38,338</u>	<u>\$ 38,338</u>

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Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers relate to indirect charges from the food service special revenue fund paid to the general fund.

9. BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

The following is a summary of bonds, notes and other long-term liabilities transactions of the District for the year ended June 30, 2023:

	Beginning Balance*	Additions	Deletions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 6,478,337	\$ -	\$ (1,243,337)	\$ 5,235,000	\$ 1,215,000
Direct borrowings and direct placements:					
Notes payable	354,096	-	(106,996)	247,100	68,577
Installment purchase obligation	4,639	-	(3,976)	663	663
Subscription liability (Note 10)	18,957	21,016	(33,016)	6,957	6,957
Total installment debt	6,856,029	21,016	(1,387,325)	5,489,720	1,291,197
Unamortized bond premium	736,397	-	(147,280)	589,117	147,280
Compensated absences	236,441	65,565	(23,644)	278,362	27,836
Total	<u>\$ 7,828,867</u>	<u>\$ 86,581</u>	<u>\$ (1,558,249)</u>	<u>\$ 6,357,199</u>	<u>\$ 1,466,313</u>

* The District implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in the current year. In accordance with this Statement, subscription liabilities have been added to the beginning balances shown above and a corresponding subscription asset has been recorded for the same amount.

Compensated absences are generally liquidated by the general fund.

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General obligation bonds

\$4,925,000 2015 Series A Refunding Bonds, due in annual installments of \$415,000 to \$425,000 through the year 2027; interest at 3.00% to 4.00%	\$ 1,700,000
\$3,895,000 2015 Series B Refunding Bonds, due in annual installments of \$570,000 to \$675,000 through the year 2026; interest at 4.00%	2,025,000
\$1,670,000 2020 School Building and Site Bonds, due in annual installments of \$60,000 to \$940,000 through the year 2027; interest at 4.00%	<u>1,510,000</u>
Total general obligation bonds	<u>\$ 5,235,000</u>

Annual debt service requirements to maturity for bonds payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 1,215,000	\$ 209,400	\$ 1,424,400
2025	1,290,000	160,800	1,450,800
2026	1,365,000	109,200	1,474,200
2027	<u>1,365,000</u>	<u>54,600</u>	<u>1,419,600</u>
	<u>\$ 5,235,000</u>	<u>\$ 534,000</u>	<u>\$ 5,769,000</u>

Notes from direct borrowings and direct placements

\$85,397 2019 Bus Installment Loan, due in annual installments of \$17,054 to \$18,465 through the year 2024; interest at 3.75%	\$ 18,464
\$63,150 2020 Bus Installment Loan, due in annual installments of \$12,227 to \$13,264 through the year 2025; interest at 2.75%	26,174
\$202,462 2022 Bus Installment Loan, due in annual installments of \$37,204 to \$43,164 through the year 2028; interest at 3.00%	<u>202,462</u>
Total notes from direct borrowings and direct placements	<u>\$ 247,100</u>

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Annual debt service requirements to maturity for notes from direct borrowings and direct placements are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 68,577	\$ 8,724	\$ 77,301
2025	52,765	5,323	58,088
2026	40,686	3,773	44,459
2027	41,907	2,552	44,459
2028	43,165	1,295	44,460
	<u>\$ 247,100</u>	<u>\$ 21,667</u>	<u>\$ 268,767</u>

Installment purchase obligation from direct borrowings

\$15,904 Installment purchase obligation, due in monthly installments of \$331 through the year 2024; interest at 0.00%

\$ 663

Annual debt service requirements to maturity for installment purchase obligations from direct borrowings are as follows:

Year Ended June 30,	Principal
2024	<u>\$ 663</u>

10. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District is involved in three arrangements that qualify as long-term subscription-based information technology arrangements ("SBITA"). Below is a summary of the nature of these arrangements. These arrangements qualify as intangible, right-to-use subscription assets as the District has the control of the right to use another party's IT software and the noncancelable term of the arrangement surpasses one year. The present values are discounted using an interest rate of 3.5 percent based on the District's incremental borrowing rate.

Asset Type	Remaining Term of Arrangement
Subscription assets	1 year

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Notes to Financial Statements

The asset acquired through the subscription-based information technology arrangement is summarized as follows:

Subscription asset	\$ 137,281
Less accumulated amortization	<u>(31,670)</u>
Net book value	<u>\$ 105,611</u>

The net present value of future minimum payments as of June 30, 2023, were as follows:

Year Ended June 30,	Principal	Interest
2024	<u>\$ 6,957</u>	<u>\$ 243</u>

11. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2023, net investment in capital assets was comprised of the following:

Capital assets:	
Capital assets not being depreciated	\$ 288,907
Capital assets being depreciated/amortized, net	<u>12,603,296</u>
	<u>12,892,203</u>
Related debt:	
Installment debt	5,489,720
Unamortized bond premium	589,117
Unamortized deferred charge on bond refunding	<u>(158,740)</u>
	<u>5,920,097</u>
Net investment in capital assets	<u>\$ 6,972,106</u>

12. RISK MANAGEMENT

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

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

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Notes to Financial Statements

13. PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied on December 1 by township governments whose boundaries include property within the District and are due on February 14. Delinquent real taxes are advanced to the District by the Revolving Tax Funds of the counties involved.

14. PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS

Plan Description

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

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

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

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

Pension 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% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member 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.

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Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

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

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

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Notes to Financial Statements

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

Contributions

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

Employer 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 an 17-year period beginning October 1, 2021 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	20.14% - 20.16%
Member Investment Plan (MIP)	3.00% - 7.00%	20.14% - 20.16%
Pension Plus	3.00% - 6.40%	17.22% - 17.24%
Pension Plus 2	6.20%	19.93% - 19.95%
Defined Contribution	0.00%	13.73% - 13.75%

For the year ended June 30, 2023, required and actual contributions from the District to the pension plan were \$2,001,178, which included \$957,995, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate. In addition, the District had additional contributions of \$557,925, which was a one-time, state payment toward the MPSERS unfunded liability.

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Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.07% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.21% - 7.23%

For the year ended June 30, 2023, required and actual contributions from the District to the OPEB plan were \$436,735.

The table below summarizes defined contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2023, required and actual contributions from the District for those members with a defined contribution benefit were \$126,469.

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

At June 30, 2023, the District reported a liability of \$21,638,282 for its proportionate share of the MPERS 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 pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was 0.05754%, which was a decrease of 0.00110% from its proportion measured as of September 30, 2021.

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Notes to Financial Statements

For the year ended June 30, 2023, the District recognized pension expense of \$2,870,289. 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	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 216,458	\$ 48,381	\$ 168,077
Changes in assumptions	3,718,232	-	3,718,232
Net difference between projected and actual earnings on pension plan investments	50,742	-	50,742
Changes in proportion and differences between employer contributions and proportionate share of contributions	361,940	262,407	99,533
	<u>4,347,372</u>	<u>310,788</u>	<u>4,036,584</u>
District contributions subsequent to the measurement date	2,440,903	-	2,440,903
	<u>2,440,903</u>	<u>-</u>	<u>2,440,903</u>
Total	<u><u>\$ 6,788,275</u></u>	<u><u>\$ 310,788</u></u>	<u><u>\$ 6,477,487</u></u>

The 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 Ended June 30,	Amount
2024	\$ 1,278,133
2025	874,269
2026	670,671
2027	<u>1,213,511</u>
Total	<u><u>\$ 4,036,584</u></u>

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Notes to Financial Statements

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

At June 30, 2023, the District reported a liability of \$1,174,813 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 0.05547% which was a decrease of 0.00433% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$(395,616). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 2,301,008	\$ (2,301,008)
Changes in assumptions	1,047,148	85,265	961,883
Net difference between projected and actual earnings on OPEB plan investments	91,821	-	91,821
Changes in proportion and differences between employer contributions and proportionate share of contributions	193,105	218,058	(24,953)
	<u>1,332,074</u>	<u>2,604,331</u>	<u>(1,272,257)</u>
District contributions subsequent to the measurement date	385,893	-	385,893
Total	<u>\$ 1,717,967</u>	<u>\$ 2,604,331</u>	<u>\$ (886,364)</u>

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Notes to Financial Statements

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

Year Ended June 30,	Amount
2024	\$ (393,489)
2025	(376,432)
2026	(370,656)
2027	(60,724)
2028	(61,808)
Thereafter	<u>(9,148)</u>
Total	<u>\$ (1,272,257)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2021 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
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	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.

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Notes to Financial Statements

Other OPEB assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2022, are 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. The recognition period for pension liabilities is 4.3922 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2250 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions. The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, 6.00% for the Pension Plus Plan, and 6.00% for OPEB.

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Notes to Financial Statements

Long-term Expected Return on Pension Plan Assets

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	2.00%	-0.47%	-0.01%
	<u>100.00%</u>		4.67%
Inflation			2.20%
Risk adjustment			<u>-0.87%</u>
Investment rate of return			<u><u>6.00%</u></u>

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Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	2.00%	-0.47%	-0.01%
	<u>100.00%</u>		4.67%
Inflation			2.20%
Risk adjustment			<u>-0.87%</u>
Investment rate of return			<u><u>6.00%</u></u>

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was -4.18% and -4.99%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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Notes to Financial Statements

Discount Rate

A discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates 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 and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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 6.00%, 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 (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net pension liability	\$ 28,554,493	\$ 21,638,282	\$ 15,939,012

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%, 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 (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB liability	\$ 1,970,635	\$ 1,174,813	\$ 504,631

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

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 the 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	\$ 491,955	\$ 1,174,813	\$ 1,941,334

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan’s fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2023, the District reported a payable of \$393,695 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2023.

Payable to the OPEB Plan

At June 30, 2023, the District reported a payable of \$47,214 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2023.

15. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past three years, the District has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately \$580,000 was expended and recognized as revenue during the current fiscal year. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.



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REQUIRED SUPPLEMENTARY INFORMATION

SPRINGPORT PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,		
	2023	2022	2021
District's proportionate share of the net pension liability	\$ 21,638,282	\$ 13,882,268	\$ 19,816,919
District's proportion of the net pension liability	0.05754%	0.05864%	0.05769%
District's covered payroll	\$ 5,425,405	\$ 5,458,665	\$ 5,251,569
District's proportionate share of the net pension liability as a percentage of its covered payroll	398.83%	254.32%	377.35%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%

See notes to required supplementary information.



Year Ended June 30,					
2020	2019	2018	2017	2016	2015
\$ 18,582,954	\$ 16,209,993	\$ 13,747,057	\$ 12,911,112	\$ 12,974,100	\$ 11,251,114
0.05611%	0.05392%	0.05305%	0.05175%	0.05312%	0.05108%
\$ 5,060,899	\$ 4,682,708	\$ 4,518,460	\$ 4,333,461	\$ 4,423,486	\$ 3,893,235
367.19%	346.17%	304.24%	297.94%	293.30%	288.99%
60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

SPRINGPORT PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan Schedule of the District's Pension Contributions

	Year Ended June 30,		
	2023	2022	2021
Statutorily required contribution	\$ 2,001,178	\$ 1,952,660	\$ 1,754,644
Contributions in relation to the statutorily required contributions	<u>(2,001,178)</u>	<u>(1,952,660)</u>	<u>(1,754,644)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,640,956	\$ 5,415,840	\$ 5,421,969
Contributions as a percentage of covered payroll	35.48%	36.05%	32.36%

See notes to required supplementary information.

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Year Ended June 30,					
2020	2019	2018	2017	2016	2015
\$ 1,573,677	\$ 1,480,043	\$ 1,565,938	\$ 1,244,094	\$ 1,208,116	\$ 1,008,489
(1,573,677)	(1,480,043)	(1,565,938)	(1,244,094)	(1,208,116)	(1,008,489)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,193,895	\$ 4,991,527	\$ 4,613,075	\$ 4,497,877	\$ 4,424,153	\$ 3,943,657
30.30%	30.18%	33.95%	27.66%	27.31%	25.57%

SPRINGPORT PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (OPEB) Liability

	Year Ended June 30,		
	2023	2022	2021
District's proportionate share of the net OPEB liability	\$ 1,174,813	\$ 912,715	\$ 3,155,434
District's proportion of the net OPEB liability	0.05547%	0.05980%	0.05890%
District's covered payroll	\$ 5,425,405	\$ 5,458,665	\$ 5,251,569
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.65%	16.72%	60.09%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%	59.44%

See notes to required supplementary information.

Year Ended June 30,		
2020	2019	2018

\$ 4,146,500	\$ 4,366,839	\$ 4,695,478
0.05777%	0.05494%	0.05302%
\$ 5,060,899	\$ 4,682,708	\$ 4,518,460
81.93%	93.25%	103.92%
48.46%	42.95%	36.39%

SPRINGPORT PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit (OPEB) Contributions

	Year Ended June 30,		
	2023	2022	2021
Statutorily required contribution	\$ 436,735	\$ 424,208	\$ 440,156
Contributions in relation to the statutorily required contribution	(436,735)	(424,208)	(440,156)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,640,956	\$ 5,415,840	\$ 5,421,969
Contributions as a percentage of covered payroll	7.74%	7.83%	8.12%

See notes to required supplementary information.

Year Ended June 30,		
2020	2019	2018
\$ 411,402	\$ 390,435	\$ 249,585
(411,402)	(390,435)	(249,585)
\$ -	\$ -	\$ -
\$ 5,193,895	\$ 4,991,527	\$ 4,613,075
7.92%	7.82%	5.41%

SPRINGPORT PUBLIC SCHOOLS

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

COMBINING FUND FINANCIAL STATEMENTS

SPRINGPORT PUBLIC SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2023

	Special Revenue			
	Student/School Activity Fund	2020 Capital Projects Fund	Debt Service Funds	Totals
Assets				
Cash and cash equivalents	\$ 144,437	\$ 72	\$ 170,615	\$ 315,124
Due from other funds	325	-	11,327	11,652
Total assets	<u>\$ 144,762</u>	<u>\$ 72</u>	<u>\$ 181,942</u>	<u>\$ 326,776</u>
Liabilities				
Accounts payable	\$ 8,770	\$ -	\$ -	\$ 8,770
Due to other funds	4,731	72	8,949	13,752
Total liabilities	<u>13,501</u>	<u>72</u>	<u>8,949</u>	<u>22,522</u>
Fund balances				
Restricted	-	-	172,993	172,993
Committed	131,261	-	-	131,261
Total fund balances	<u>131,261</u>	<u>-</u>	<u>172,993</u>	<u>304,254</u>
Total liabilities and fund balances	<u>\$ 144,762</u>	<u>\$ 72</u>	<u>\$ 181,942</u>	<u>\$ 326,776</u>

SPRINGPORT PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue			
	Student/School Activity Fund	2020 Capital Projects Fund	Debt Service Funds	Totals
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ 1,422,016	\$ 1,422,016
Interest	-	160	772	932
Student/school activity	157,683	-	-	157,683
Total revenues	157,683	160	1,422,788	1,580,631
Expenditures				
Current -				
Supporting services	167,025	-	-	167,025
Debt service:				
Principal repayment	-	-	1,175,000	1,175,000
Interest and fiscal charges	-	70	257,400	257,470
Capital outlay	-	475,739	-	475,739
Total expenditures	167,025	475,809	1,432,400	2,075,234
Net change in fund balances	(9,342)	(475,649)	(9,612)	(494,603)
Fund balances, beginning of year	140,603	475,649	182,605	798,857
Fund balances, end of year	\$ 131,261	\$ -	\$ 172,993	\$ 304,254

SPRINGPORT PUBLIC SCHOOLS

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2023

	2020 Debt Fund	2015 Series A Refunding Debt Fund	2015 Series B Refunding Debt Fund	Totals
Assets				
Cash and cash equivalents	\$ 37,322	\$ 57,160	\$ 76,133	\$ 170,615
Due from other funds	2,462	-	8,865	11,327
Total assets	<u>\$ 39,784</u>	<u>\$ 57,160</u>	<u>\$ 84,998</u>	<u>\$ 181,942</u>
Liabilities				
Due to other funds	\$ 84	\$ 8,865	\$ -	\$ 8,949
Fund balances				
Restricted	<u>39,700</u>	<u>48,295</u>	<u>84,998</u>	<u>172,993</u>
Total liabilities and fund balances	<u>\$ 39,784</u>	<u>\$ 57,160</u>	<u>\$ 84,998</u>	<u>\$ 181,942</u>

SPRINGPORT PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds
For the Year Ended June 30, 2023

	2020 Debt Fund	2015 Series A Refunding Debt Fund	2015 Series B Refunding Debt Fund	Totals
Revenues				
Local sources:				
Property taxes	\$ 198,077	\$ 489,817	\$ 734,122	\$ 1,422,016
Interest	92	277	403	772
Total revenues	<u>198,169</u>	<u>490,094</u>	<u>734,525</u>	<u>1,422,788</u>
Expenditures				
Debt service:				
Principal repayment	100,000	425,000	650,000	1,175,000
Interest and fiscal charges	<u>64,400</u>	<u>85,500</u>	<u>107,500</u>	<u>257,400</u>
Total expenditures	<u>164,400</u>	<u>510,500</u>	<u>757,500</u>	<u>1,432,400</u>
Net change in fund balances	33,769	(20,406)	(22,975)	(9,612)
Fund balances, beginning of year	<u>5,931</u>	<u>68,701</u>	<u>107,973</u>	<u>182,605</u>
Fund balances, end of year	<u>\$ 39,700</u>	<u>\$ 48,295</u>	<u>\$ 84,998</u>	<u>\$ 172,993</u>

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