



Engadine Consolidated Schools

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Mackinac County, Michigan

Annual Financial Report

For the year ended June 30, 2022

ENGADINE CONSOLIDATED SCHOOLS
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For the year ended June 30, 2022

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

October 26, 2022

The Board of Education
Engadine Consolidated Schools

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022, on our consideration of the Engadine Consolidated Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Engadine Consolidated Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Engadine Consolidated Schools' internal control over financial reporting and compliance.

Emphasis of Matter

Changes in Accounting Principle

As discussed in Note K to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* for the fiscal year ended June 30, 2022. Our opinion is not modified in respect to this matter.



Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2022

As management of the Engadine Consolidated 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, 2022. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

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

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

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

District-wide Financial Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District’s net position, and how it has changed. Net position - the difference between the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District’s financial health or position.

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



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2022

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

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

New Accounting Pronouncement Implemented

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* during the fiscal year ended June 30, 2022. This Statement enhances the relevance and consistency of information about governments' leasing activities. See Note K for additional information.

Condensed District-Wide Financial Information

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

	<u>2022</u>	<u>2021</u>
Assets		
Current assets	\$ 2,186,689	\$ 1,731,744
Net capital assets	<u>2,758,180</u>	<u>2,629,724</u>
Total Assets	<u>4,944,869</u>	<u>4,361,468</u>
Deferred Outflows of Resources	<u>2,202,141</u>	<u>3,482,812</u>
Liabilities		
Current liabilities	796,293	724,060
Long-term liabilities	558,511	814,201
Net pension liability	5,425,997	8,045,684
Net OPEB liability	<u>350,574</u>	<u>1,257,797</u>
Total Liabilities	<u>7,131,375</u>	<u>10,841,742</u>
Deferred Inflows of Resources	<u>3,535,428</u>	<u>1,367,858</u>
Net Position		
Net investment in capital assets	2,227,359	1,925,028
Restricted	270,187	234,369
Unrestricted (deficit)	<u>(6,017,339)</u>	<u>(6,524,717)</u>
Total Net Position	<u>\$ (3,519,793)</u>	<u>\$ (4,365,320)</u>



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2022

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

	<u>2022</u>	<u>2021</u>
Program Revenues		
Charges for services	\$ 69,002	\$ 28,160
Operating grants	3,045,398	2,346,903
General Revenues		
Property taxes	2,277,154	2,168,686
State school aid, unrestricted	755,966	763,657
Interest and investment earnings	2,923	1,035
Other	223,045	134,177
Total Revenues	<u>6,373,488</u>	<u>5,442,618</u>
Expenses		
Instruction	2,774,356	3,248,760
Supporting services	2,009,273	1,844,216
Community services	404,686	453,484
Food service	146,510	240,288
Interest on long-term debt	21,196	28,210
Depreciation - unallocated	171,940	170,446
Total Expenses	<u>5,527,961</u>	<u>5,985,404</u>
Increase (Decrease) in net position	845,527	(542,786)
Net Position, Beginning of Year	<u>(4,365,320)</u>	<u>(3,822,534)</u>
Net Position, End of Year	<u><u>\$ (3,519,793)</u></u>	<u><u>\$ (4,365,320)</u></u>

Financial Analysis of the District as a Whole

Total revenues exceeded expenses by \$845,527 on the Statement of Activities, increasing total net position from a deficit of \$4,365,320 at June 30, 2021, to a deficit of \$3,519,793 at June 30, 2022. Unrestricted net position increased by \$507,378 to a deficit of \$6,017,339 at June 30, 2022. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$182,890, during the fiscal year. In addition, the District's net OPEB liability, including outflows and inflows of resources, decreased by \$261,559 during the fiscal year.

The District's total revenues were \$6.37 million. Property taxes and unrestricted State aid accounted for most of the District's revenues, contributing 48% of the total. The remainder came from State and federal aid for specific programs, fees charged for services, interest earnings, and other local sources.

The total cost of all programs was \$5.53 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (68%). The District's administrative and business services accounted for 8% of total costs, and operation and maintenance services accounted for 9% of total costs.



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2022

The current position of the District's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during these challenging economic times. Despite the ongoing uncertainty of funding revenue from the State of Michigan, the District has endeavored to maintain a positive fund balance.

- The District has conducted a thorough budget analysis and has broken the budget down into specific components and their related expenses. This has allowed the District to prioritize expenses, and also to identify where cuts could occur if necessary.
- Periodic updates were provided to the Board of Education during the school year. This information is also presented to the community via the District's website transparency reporting.
- Collaboration with the surrounding districts has helped reduce expenditures in many areas including special education, special education transportation, technology, and business services. The nineteen school districts and academies as well as the Intermediate School District in the Eastern Upper Peninsula have historically collaborated in many areas and continue to find more ways to collaborate to provide the most services while maximizing efficiencies.

Fund Financial Statements

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

The District utilizes one kind of fund:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Engadine Consolidated School's funds are described as follows:

General Funds

- The General Fund includes our primary operating fund. The operating fund had total revenues of \$4,148,195, and total expenditures of \$3,945,069. The operating fund ended the fiscal year with a fund balance of \$475,461, up from \$272,335 at June 30, 2021.



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
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- Engadine Consolidated Schools is the fiscal agent for Consolidated Community School Services (CCSS), which is a consortium of seven local districts that provides alternative, adult, and community education programs. CCSS is presented as a blended component-unit and is included in the General Fund. CCSS had total revenues of \$1,711,445, and total expenditures of \$1,565,731. CCSS ended the fiscal year with a fund balance of \$895,569, up from \$749,855 at June 30, 2021.

Nonmajor Funds

- The Food Service Fund, which administers the hot lunch program of the District, had total revenues of \$218,199, and total expenditures of \$185,358 in 2021-22, increasing the fund balance to \$93,406 at June 30, 2022 from \$60,565 at June 30, 2021.
- The Public Purpose Trust Fund is operating as a Special Revenue Fund of the District. The fund had total revenues of \$50 and no expenditures, increasing the fund balance to \$56,913 at June 30, 2022.
- The Student/School Activity Fund is used to account for transactions of student groups for school and school related purposes. The fund had total revenues of \$110,410 and total expenditures of \$102,668 increasing the fund balance to \$89,232 from \$81,490 at June 30, 2021.
- The District operates one Debt Service Fund to finance the repayment of general obligation bonds. Total revenues were \$180,560, and total expenditures were \$186,200. The fiscal year ending fund balance was \$33,261, down from \$38,901 at June 30, 2021.

General Fund Budgetary Highlights

During the course of the year, the District continuously reviews the annual operating budget after the June adoption. Changes in the budget are due to the following:

- Consolidated Community School Service became a part of Engadine Consolidated Schools in 2017-18. Previously, CCSS was a part of Pickford Public Schools. CCSS is part of the combined General Fund. The CCSS budget is over \$1.70 million in revenues. CCSS provides adult education, alternative education and enrichment opportunities to the Eastern Upper Peninsula.
- Changes made in the fall to account for the final student enrollment determines how much state foundation grant will be received during the fiscal year.
- Final amendments are made in June for increases in appropriations to prevent budget overruns and reductions in expenses put into place by the administration.



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2022

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal year 2022, the District had a \$6,630,365 investment in a broad range of capital assets, including land improvements, school buildings, athletic facilities, administrative offices, furniture and equipment, and vehicles. (More detailed information about capital assets can be found in Note D in the Notes to Basic Financial Statements.)

At June 30, 2022, the District's investment in capital assets (net of accumulated depreciation), was \$2,758,180. Net capital asset additions totaled \$300,396 for the fiscal year with accumulated depreciation increasing \$171,940, leaving a net increase in the book value of capital assets of \$128,456.

The District's net investment in capital assets, including land improvements, buildings and improvements, vehicles and furniture and equipment, is detailed as follows:

Building and improvements	\$ 2,271,496
Furniture and equipment	180,072
Vehicles	<u>306,612</u>
Net Capital Assets	<u><u>\$ 2,758,180</u></u>

Long-term Obligations

At year end, the District had \$809,332 in general obligation bonds and other long-term debt outstanding – a net decrease of \$253,744 from June 30, 2021.

The District's bond rating for general obligation debt was affirmed by Moody's as Baa2 with a stable outlook. The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within a District's boundaries.

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



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2022

Factors Bearing on the District's Future

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

- Cost increases exceeding the general rate of inflation continues to be expected for pension contribution obligations. These costs represent a significant portion of the District's budget and their rate of increase is a concern to management.
- The District and the Teacher's bargaining unit negotiated a two-year agreement expiring at the end of the 2022-23 school year. The District has settled with the professional staff with a 2.5% increase with steps. The District and the Support Staff successfully bargained a 2-year contract ending June 30, 2024. The District implemented a \$1.05 wage increase for support staff in the current contract. The current contract provides health insurance through MESSA. Employees have the choice of Pak A Choices, Pak D Choices 2, Pak C ABC Plan, Pak E ABC Plan 2. With all of the plans, the excess premium cost over the state mandated cap is borne by the employee. Recent months have seen a lot of legislative activity in the areas of teacher tenure, seniority and layoffs, teacher and administrator evaluations, student achievement and employee contributions to health insurance. The District is determined to keep up with all the changes even with a reduction in the administrative work force.
- As the District continues to face the budget challenges of the current and upcoming school years, operating efficiencies and balanced budgets will be necessary. The ability to continue to operate an adequate educational system with continued less revenue and increasing expenditures is the challenge of the future. The Board of Education continues to be aware of the importance of fiscal oversight, fiscal responsibility, and financial planning.
- The COVID-19 pandemic has impacted Engadine Consolidated Schools in multiple ways. There have been numerous grant funds available to support the District with technology and connectivity student supports. The funds not used for those purposes are a topic of discussion with the Board of Education. They are discussing ways to utilize those funds for the maximum benefit for the students.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Engadine Consolidated Schools, W13920 Melville Street, Engadine, Michigan 49827.

BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Assets	
Cash	\$ 100
Cash equivalents, deposits and investments (Note B)	1,324,432
Accounts receivable	331
Due from other governmental units (Note C)	860,452
Inventory	1,374
Capital assets being depreciated, net (Note D)	<u>2,758,180</u>
Total Assets	<u>4,944,869</u>
Deferred Outflows of Resources	
Deferred pension amounts	1,526,787
Deferred OPEB amounts	<u>675,354</u>
Total Deferred Outflows of Resources	<u>2,202,141</u>
Liabilities	
Accounts payable	66,374
Due to other governmental units	135,746
Payroll withholdings payable	56,306
Accrued expenses	13,090
Accrued interest payable	2,625
Salaries payable	203,538
Unearned revenue	67,793
Long-term liabilities (Note F):	
Due within one year	250,821
Due in more than one year	558,511
Net pension liability	5,425,997
Net OPEB liability	<u>350,574</u>
Total Liabilities	<u>7,131,375</u>
Deferred Inflows of Resources	
Deferred pension amounts	2,086,819
Deferred OPEB amounts	<u>1,448,609</u>
Total Deferred Inflows of Resources	<u>3,535,428</u>
Net Position	
Net investment in capital assets	2,227,359
Restricted for:	
Debt service	30,636
Food service	93,406
Public Purpose Trust	56,913
Student/school activities	89,232
Unrestricted (deficit)	<u>(6,017,339)</u>
Total Net Position	<u>\$ (3,519,793)</u>

ENGADINE CONSOLIDATED SCHOOLS
Statement of Activities
For the year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 2,774,356	\$ 324	\$ 2,441,754	\$ (332,278)
Supporting services	2,009,273	25,462	398,751	(1,585,060)
Community services	404,686	25,667	-	(379,019)
Food service	146,510	17,549	200,579	71,618
Interest on long-term debt	21,196	-	4,314	(16,882)
Depreciation - unallocated*	171,940	-	-	(171,940)
Total Governmental Activities	<u>\$ 5,527,961</u>	<u>\$ 69,002</u>	<u>\$ 3,045,398</u>	<u>(2,413,561)</u>
General Revenues				
Taxes:				
Property taxes, levied for general operations				2,101,121
Property taxes, levied for debt service				176,033
State school aid, unrestricted				755,966
Interest and investment earnings				2,923
Other				223,045
Total General Revenues				<u>3,259,088</u>
Change in Net Position				845,527
Net Position - Beginning of Year				<u>(4,365,320)</u>
Net Position - End of Year				<u>\$ (3,519,793)</u>

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

See accompanying notes to basic financial statements.

ENGADINE CONSOLIDATED SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2022

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Assets			
Cash	\$ 100	\$ -	\$ 100
Cash equivalents, deposits and investments (Note B)	1,043,148	281,284	1,324,432
Accounts receivable	-	331	331
Due from other governmental units (Note C)	855,241	5,211	860,452
Inventory	-	1,374	1,374
Total Assets	<u>\$ 1,898,489</u>	<u>\$ 288,200</u>	<u>\$ 2,186,689</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 66,374	\$ -	\$ 66,374
Due to other governmental units	130,254	5,492	135,746
Payroll withholdings payable	53,295	3,011	56,306
Accrued expenditures	12,792	298	13,090
Salaries payable	199,839	3,699	203,538
Unearned revenue	64,905	2,888	67,793
Total Liabilities	<u>527,459</u>	<u>15,388</u>	<u>542,847</u>
Fund Balances (Note A)			
Nonspendable	-	1,374	1,374
Restricted	895,569	271,438	1,167,007
Unassigned	475,461	-	475,461
Total Fund Balances	<u>1,371,030</u>	<u>272,812</u>	<u>1,643,842</u>
Total Liabilities and Fund Balances	<u>\$ 1,898,489</u>	<u>\$ 288,200</u>	<u>\$ 2,186,689</u>

See accompanying notes to basic financial statements.

ENGADINE CONSOLIDATED SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2022

Total governmental fund balances		\$ 1,643,842
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$6,630,365 and accumulated depreciation is \$3,872,185.		2,758,180
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$ (525,000)	
Financed purchase	(1,194)	
Bond premium	(4,627)	
Accumulated sick leave	<u>(278,511)</u>	(809,332)
Accrued interest on long-term debt is not included as a liability in governmental funds.		(2,625)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(5,425,997)	
Deferred outflows	1,526,787	
Deferred inflows	<u>(2,086,819)</u>	(5,986,029)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(350,574)	
Deferred outflows	675,354	
Deferred inflows	<u>(1,448,609)</u>	<u>(1,123,829)</u>
Total net position - governmental activities		<u><u>\$ (3,519,793)</u></u>

See accompanying notes to basic financial statements.

ENGADINE CONSOLIDATED SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2022

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues			
Local sources	\$ 2,259,711	\$ 304,326	\$ 2,564,037
Non-educational entity sources	104,228	-	104,228
State sources	2,083,631	9,157	2,092,788
Federal sources	1,016,114	195,736	1,211,850
Interdistrict sources	395,956	-	395,956
	<u>5,859,640</u>	<u>509,219</u>	<u>6,368,859</u>
Total Revenues			
Expenditures			
Current:			
Instruction	2,852,793	-	2,852,793
Supporting services	2,230,846	102,668	2,333,514
Community services	410,851	-	410,851
Food service	-	185,358	185,358
Capital Outlay	11,243	-	11,243
Debt service:			
Principal repayment	4,246	165,000	169,246
Interest and fiscal charges	821	21,200	22,021
	<u>5,510,800</u>	<u>474,226</u>	<u>5,985,026</u>
Total Expenditures			
Net Change in Fund Balances	348,840	34,993	383,833
Fund Balances, Beginning of Year	<u>1,022,190</u>	<u>237,819</u>	<u>1,260,009</u>
Fund Balances, End of Year	<u>\$ 1,371,030</u>	<u>\$ 272,812</u>	<u>\$ 1,643,842</u>

See accompanying notes to basic financial statements.

ENGADINE CONSOLIDATED SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2022

Net change in fund balances - total governmental funds		\$ 383,833
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.</p>		
Capital outlays	\$ 300,396	
Depreciation expense	<u>(171,940)</u>	128,456
Bond premium is amortized over the life of the new bond issue on the Statement of Activities.		
		4,629
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not effect the Statement of Activities:		
Repayment of general obligation bonds	165,000	
Financed purchase	<u>4,246</u>	169,246
Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid.		
		825
In the Statement of Net Position, accumulated sick leave is measured by the amount earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$182,394) exceed the amount earned (\$102,525).		
		79,869
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.		
		(182,890)
The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.		
		<u>261,559</u>
Total changes in net position - governmental activities		<u>\$ 845,527</u>

See accompanying notes to basic financial statements.

**ENGADINE CONSOLIDATED SCHOOLS
General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2022**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ 2,124,626	\$ 2,122,032	\$ 2,259,711	\$ 137,679
Non-educational entity sources	86,000	86,000	104,228	18,228
State sources	1,971,073	2,135,508	2,083,631	(51,877)
Federal sources	347,804	1,113,073	1,016,114	(96,959)
Interdistrict sources	265,266	306,331	395,956	89,625
Total Revenues	<u>4,794,769</u>	<u>5,762,944</u>	<u>5,859,640</u>	<u>96,696</u>
Expenditures				
Current:				
Instruction:				
Basic programs	2,048,004	2,346,239	2,152,112	194,127
Added needs	653,808	704,774	621,625	83,149
Adult/continuing education	82,764	102,940	79,056	23,884
Supporting services:				
Pupil services	144,858	229,947	229,419	528
Instructional staff services	260,427	243,957	238,854	5,103
General administrative services	132,876	178,849	182,636	(3,787)
School administrative services	165,070	181,250	169,053	12,197
Business services	106,180	122,982	117,802	5,180
Operation and maintenance services	465,053	512,357	510,328	2,029
Pupil transportation services	256,240	532,040	533,098	(1,058)
Central services	126,464	118,301	172,682	(54,381)
Other supporting services	69,091	84,815	76,974	7,841
Community services	462,555	492,505	410,851	81,654
Capital Outlay	-	38,500	11,243	27,257
Debt service:				
Principal repayment	15,350	14,350	4,246	10,104
Interest and other fiscal charges	-	1,000	821	179
Total Expenditures	<u>4,988,740</u>	<u>5,904,806</u>	<u>5,510,800</u>	<u>394,006</u>
Net Change in Fund Balances	(193,971)	(141,862)	348,840	490,702
Fund Balances, Beginning of Year	<u>1,022,190</u>	<u>1,022,190</u>	<u>1,022,190</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 828,219</u>	<u>\$ 880,328</u>	<u>\$ 1,371,030</u>	<u>\$ 490,702</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

Note A – Summary of Significant Accounting Policies

Engadine Consolidated Schools (the “District”) was organized under the School Code of the State of Michigan, and services a population of approximately 332 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

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

The District’s significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. The Consolidated Community School Services (CCSS) program provides adult education and community recreation to seven school districts in the Eastern Upper Peninsula Intermediate School District. Engadine Consolidated Schools is the fiscal agent for the CCSS program. Due to this relationship, CCSS is considered a blended component unit of the District’s reporting entity, and is included in the accompanying financial statements as part of the General Fund.

2. District-wide and Fund Financial Statements

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

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

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund (which includes Consolidated Community School Services) is the District's only major fund. Nonmajor funds are aggregated and presented in a single column.

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

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

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

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

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

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

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

Governmental Funds

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

Major Funds:

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

Consolidated Community School Services (CCSS), Engadine Consolidated Schools is the fiscal agent for CCSS which is a consortium of seven local school districts that provides alternative, adult and community education programs.

Nonmajor Funds:

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

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

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

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

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Engadine Consolidated Schools has also adopted budgets for its Special Revenue Funds. A school district's Budget Appropriations Act (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

Engadine Consolidated Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

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

5. Encumbrances

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

6. Investments

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

7. Inventory/Prepaid Items

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

8. Capital Assets

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

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

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

Land improvements, buildings and improvements, furniture and equipment, textbooks and library books, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10 - 20 years
Buildings and improvements	40 - 50 years
Furniture and equipment	3 - 10 years
Textbooks and library books	3 - 5 years
Vehicles	5 - 10 years

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

10. Accumulated Sick, Vacation and Personal Leave

Accumulated sick leave at June 30, 2022 has been computed and recorded in the basic financial statements of the District. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick, vacation, and personal days. At June 30, 2022, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for accumulated sick, vacation and personal leave amounted to \$278,511.

11. Retirement Plan

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

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

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

12. Postemployment Benefits Other Than Pensions

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

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of net OPEB liability on the financial statements.

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

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

14. Net Position

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

15. Fund Balance

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

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

As of June 30, 2022, Engadine Consolidated Schools had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used, but reserves the right to selectively spend unassigned resources first to defer the use of other classified funds.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

16. Interfund Activity

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

17. Estimates

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

Note B – Cash Equivalents, Deposits, and Investments

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

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

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

Balances at June 30, 2022 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	<u>\$ 1,324,432</u>

Cash Equivalents and Deposits

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

1. First National Bank of St. Ignace
2. Tahquamenon Area Credit Union
3. Central Savings Bank

Cash equivalents consist of bank public funds checking and savings accounts, and deposits consist of certificates of deposit.

June 30, 2022 balances are detailed as follows:

Cash equivalents	\$ 1,246,480
Deposits	<u>75,330</u>
Total	<u><u>\$ 1,321,810</u></u>

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation, and the National Credit Union Administration. At year end, the carrying amount of the District's cash equivalents and deposits was \$1,321,810, and the bank balance was \$1,388,674. Of the bank balance, \$608,034 was covered by federal depository insurance, and \$780,640 was uninsured.

Investments

As of June 30, 2022 the District had the following investments:

Surplus Funds Investment Pool Account:	
Michigan Liquid Asset Fund (MILAF+)	<u>\$ 2,622</u>

The Michigan Liquid Asset Fund Plus (MILAF+) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF is not regulated or registered with the Securities Exchange Commission. The MILAF+ is carried at amortized cost and is rated AAAM by Standard and Poor's rating agency.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. At June 30, 2022, the District had no investments that were subject to custodial credit risk.

Credit Risk

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

Interest Rate Risk

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

Concentration of Credit Risk

The District minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

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

Note C – State School Aid/Property Taxes

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

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2021 and October 2021. The 2021-22 "Foundation Allowance" for Engadine Consolidated Schools was \$8,700 for 333 "Full Time Equivalent" students, generating \$1,518,651 in state aid payments to the District of which \$278,595 was paid to the District in July and August 2022 and included in "Due From Other Governmental Units" of the General and Food Service Special Revenue Funds of the District.

Property taxes for the District are levied December 1 (the tax lien date) by the Townships of Garfield, Hendricks, Hudson, Newton and Portage, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The County of Mackinac, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30.

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

As Engadine Consolidated Schools' electors had previously (November 6, 2018) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2021.

The District levied 1.1 mills for debt service purposes in 2021, applied on all taxable property in the District.

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

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

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

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

For the year ended June 30, 2022, there were no businesses located within the Engadine Consolidated School District boundaries with an active IFE certificate.

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Note D – Capital Assets

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

	Balances July 1, 2020	Additions	Deductions	Balances June 30, 2022
Capital assets not being depreciated:				
Construction in progress	\$ 52,354	\$ -	\$ 52,354	\$ -
Capital assets being depreciated:				
Land improvements	140,009	\$ -	\$ -	140,009
Buildings and improvements	5,147,304	7,940	-	5,155,244
Furniture and equipment	495,077	140,006	-	635,083
Textbooks and library books	104,392	-	-	104,392
Vehicles	531,307	204,804	140,474	595,637
Total capital assets being depreciated	<u>6,418,089</u>	<u>\$ 352,750</u>	<u>\$ 140,474</u>	<u>6,630,365</u>
Less accumulated depreciation for:				
Land improvements	140,009	\$ -	\$ -	140,009
Buildings and improvements	2,755,428	128,320	-	2,883,748
Furniture and equipment	442,282	12,729	-	455,011
Textbooks and library books	104,392	-	-	104,392
Vehicles	398,608	30,891	140,474	289,025
Total accumulated depreciation	<u>3,840,719</u>	<u>\$ 171,940</u>	<u>\$ 140,474</u>	<u>3,872,185</u>
Net capital assets, being depreciated	<u>2,577,370</u>			<u>2,758,180</u>
Net Capital Assets	<u>\$ 2,629,724</u>			<u>\$ 2,758,180</u>

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
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Depreciation expense for the District was \$171,940. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note E – Short term Debt

On August 9, 2021 the District borrowed \$400,000 for cash flow purposes, in anticipation of property taxes. The loan was due and paid in full April 30, 2022. The net interest cost of the loan was \$1,681 for the fiscal year. The loan is included as an expenditure in the General Fund Other Business Services as required by the Michigan Department of Education.

	Outstanding July 1, 2021	Debt Added	Debt Retired	Outstanding June 30, 2022
Tax Anticipation Note	\$ -	\$ 400,000	\$ 400,000	\$ -

Note F – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2022 are summarized as follows:

	Debt Outstanding July 1, 2021	Debt Added	Debt Retired	Debt Outstanding June 30, 2022
General obligation bonds:				
August 26, 2015	\$ 690,000	\$ -	\$ 165,000	\$ 525,000
Bond premium	9,256	-	4,629	4,627
Financed purchase	5,440	-	4,246	1,194
Accumulated sick leave	358,380	102,525	182,394	278,511
	\$ 1,063,076	\$ 102,525	\$ 356,269	\$ 809,332

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Long-term obligations outstanding at June 30, 2022 is comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$1,300K 2015 Building and Site:				
Annual maturities of \$170K to \$180K	May 1, 2025	3.00	\$ 525,000	\$ 170,000
Bond premium			4,627	4,627
Financed Purchase				
\$5,734 Copier Lease June 9, 2018:				
Annual maturities of \$1,194 to \$1,224	May 9, 2023	6.42	1,194	1,194
Other Obligations				
Accumulated sick leave			278,511	75,000
			<u>\$ 809,332</u>	<u>\$ 250,821</u>

The annual requirements to pay principal and interest on long-term bonds, notes, and financed purchases outstanding are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 171,194	\$ 15,789	\$ 190,767
2024	175,000	10,650	185,650
2025	180,000	5,400	185,400
	<u>\$ 526,194</u>	<u>\$ 31,839</u>	<u>\$ 561,817</u>

Note G – Retirement Plan

Plan Description

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

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

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

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

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

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Defined Contribution	Defined Contribution	Open
Pension Plus 2	Hybrid	Open

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose. Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a Defined Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made, they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Pension Reform of 2017

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

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Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012 and is shown below:

Option 1: $FAC \times \text{total years of service} \times 1.5\%$

Option 2: $FAC \times 30 \text{ years of service} \times 1.5\% + FAC \times \text{years of service beyond 30} \times 1.25\%$

Option 3: $FAC \times \text{years of service as of transition date} \times 1.5\% + FAC \times \text{years of service after transition date} \times 1.25\%$

Option 4: $FAC \text{ as of transition date} \times \text{years of service as of transition date} \times 1.5\%$

A MIP member who became a member of MPSERS prior to July 1, 2010 may retire at:

- age 46 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service; or
- age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Pension Plus member may retire at age 60 with 10 or more years of credited service.

A Pension Plus 2 member may retire at age 60 with 10 or more years of credited service. Section 81c(5) of PA 300 as amended requires the regular retirement age to be increased in whole year increments based on the results of mortality analysis five-year actuarial experience studies performed after October 1, 2019 and the actuarial funding status of the plan. If the regular retirement age for Pension Plus 2 members is increased in accordance with this provision, members within five years of retirement from the effective date of the increase are automatically exempted and the retirement board may additionally authorize those between five and eight years of the then current retirement age to be exempted.

A Basic Plan member may retire at:

- age 55 with 30 or more years of service; or
- age 60 with 10 or more years of service.

There is no mandatory retirement age.

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Early Retirement

A MIP or Basic member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by 2% for each year retired; first year 100%, next year 102%, etc.).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by 2% for each year retired; first year 100%, next year 102%, etc.).

Pension Payment Options

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

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Straight Life Pension – the Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of the retiree’s death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiaries.

Survivor Options - Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount (“pop-up” provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree’s death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree’s death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree’s death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Equated Plan – For MIP and Basic members, the Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree’s pension to decrease at age 62 by approximately the same amount as that person’s Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree’s death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

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Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Postemployment Adjustments

A retiree who became a Member Investment Plan (MIP) member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of 3% of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

Contributions and Funded Status

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

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

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The schedule below summarizes pension contribution rates in effect for the plan fiscal year 2021.

Plan Name	Pension Contribution Rates: Member	District
Basic	0.0 – 4.0 %	19.78%
Member Investment Plan (MIP)	3.0 – 7.0%	19.78%
Pension Plus	3.0 – 6.4 %	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

The District’s contributions to MPSERS under all pension plans for the year ended June 30, 2022, inclusive of the MSPERS UAAL Stabilization, totaled \$786,677.

MPSERS Plan Net Pension Liability (in thousands)

Total Pension Liability	\$ 87,569,422
Plan Fiduciary Net Position	<u>63,332,155</u>
Net Pension Liability	<u>\$ 24,237,267</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.32%
Net Pension Liability as a Percentage of Covered Employee Payroll	261.49%
Total Covered Payroll	\$ 9,269,004

Proportionate Share of Reporting Unit’s Net Pension Liability

At June 30, 2022, the District reported a liability of \$5,425,997 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The District’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 2021 the District’s proportion was 0.02291828%, which was a decrease from 0.02342192% at September 30, 2020.

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

For the year ended June 30, 2022, the District recognized pension expense of \$959,412. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 84,051	\$ 31,953
Changes of assumptions	342,035	—
Net difference between projected and actual earnings on pension plan investments	—	1,744,441
Changes in proportion and differences between District contributions and proportionate share of contributions	367,522	310,425
District contributions subsequent to the measurement date*	733,179	—
Total	\$ 1,526,787	\$ 2,086,819

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Year ended June 30	Amount
2023	\$ 28,138
2024	(340,910)
2025	(494,016)
2026	(486,423)

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.

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	6.80% net of investment expenses
Pension Plus Plan (Hybrid):	6.80% net of investment expenses
Pension Plus 2:	6.00% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living Adjustments:	3% annual non-compounded for MIP members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4892 for non-university employers].
- Recognition period for assets in years: 5.0000.

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

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

Long-Term Expected Rate of Return on Investments

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

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

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

Rate of Return

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

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

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

	1% Decrease 5.8%/5.8%/5.0%	Current Single Discount Rate Assumption 6.8%/6.8%/6.0%	1% Increase 7.8%/7.8%/7.0%
District's proportionate share of the net pension liability	\$ 7,757,705	\$ 5,425,997	\$ 3,492,859

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System September 30, 2021 Annual Comprehensive Financial Report, available here: (www.michigan.gov/orsschools).

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

Payables to the pension plan totaling \$105,199 at June 30, 2022 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note H – Other Postemployment Benefits

Plan Description

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

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

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

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

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

Benefits Provided

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

Retiree Healthcare Reform of 2012

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

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

Contributions and Funded Status

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

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

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

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

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.0 %	7.57%

Required contributions to the OPEB plan from the District were \$163,980 for the year ended June 30, 2022.

Net OPEB Liability (in thousands)

Total OPEB Liability	\$ 12,225,697
Plan Fiduciary Net Position	<u>10,742,198</u>
Net OPEB Liability	<u>\$ 1,483,499</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	87.87%
Net OPEB Liability as a Percentage of Covered Employee Payroll	16.00%
Total Covered Payroll	\$ 9,269,004

Proportionate Share of Reporting Unit's Net OPEB Liability

At June 30, 2022, the District reported a liability of \$350,574 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021 the District's proportion was 0.02296772%, which was a decrease from 0.02347834% at September 30, 2020.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

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

For the year ended June 30, 2022, the District recognized OPEB credit of \$90,530. At June 30, 2022, 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
Difference between expected and actual experience	\$ —	\$ 1,000,689
Changes of assumptions	293,063	43,853
Net difference between projected and actual earnings on OPEB plan investments	—	264,234
Changes in proportion and differences between District contributions and proportionate share of contributions	240,242	139,833
District contributions subsequent to the measurement date*	142,049	—
Total	\$ 675,354	\$ 1,448,609

* This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

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

Year ended June 30	Amount
2023	\$ (158,759)
2024	(195,339)
2025	(255,338)
2026	(218,224)
2027	(77,481)
Thereafter	(10,163)

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.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	Pre-65 - 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65 - 5.25% Year 1 graded to 3.50% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt Out Assumptions:	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage:	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.6018 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2021 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

Long-Term Expected Rate of Return on Investments

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity Pools	15.0%	7.5%
Fixed Income Pools	10.5%	(0.7)%
Real Estate and Infrastructure Pools	10.0%	5.4%
Absolute Return Pools	9.0%	2.6%
Real Return/Oppportunistic Pools	12.5%	6.1%
Short-term Investment Pools	2.0%	(1.3)%
Total	100.0%	

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

Rate of Return

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

Discount Rate

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

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

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

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

	1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
District's proportionate share of the net OPEB liability	\$ 651,430	\$ 350,574	\$ 95,255

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 85,327	\$ 350,574	\$ 649,009

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling \$14,985 at June 30, 2022 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note I – Risk Management and Benefits

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

There were no significant reductions in insurance coverage in fiscal 2021-22, and as of year ended June 30, 2022, there were no material pending claims against the District.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

Note J – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of \$6,017,339 and a total net position deficit of \$3,519,793, as of June 30, 2022. These deficit net positions result primarily from the net pension liability of \$5,986,029 and the net OPEB liability of \$1,123,829 (net of deferred outflows and inflows of resources related to the pension and OPEB plans).

Note K – New Accounting Pronouncement Adopted

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* was adopted by the District during the fiscal year ending June 30, 2022. This statement enhances the relevance and consistency of information about governments' leasing activities by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District was not required to recognize a right-to-use lease asset or lease liability as of July 1, 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

ENGADINE CONSOLIDATED SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2022

	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>
District's proportion of the net pension liability	0.02291828%	0.02342192%	0.02462821%
District's proportionate share of the net pension liability	\$ 5,425,997	\$ 8,045,684	\$ 8,156,035
District's covered-employee payroll	\$ 2,094,093	\$ 2,090,698	\$ 2,092,550
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.11%	384.83%	389.77%
Plan fiduciary net position as a percentage of the total pension liability	72.60%	59.72%	60.31%

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

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

<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
0.02195129%	0.01692188%	0.01516678%	0.01508430%	0.01418644%
\$ 6,598,954	\$ 4,385,178	\$ 3,783,988	\$ 3,684,344	\$ 3,124,777
\$ 2,202,846	\$ 1,486,951	\$ 1,322,798	\$ 1,292,427	\$ 1,245,630
299.56%	294.91%	286.06%	285.07%	250.86%
62.12%	63.96%	63.01%	62.92%	66.15%

ENGADINE CONSOLIDATED SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2022

	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>
District's proportion of the net OPEB liability	0.02296772%	0.02347834%	0.02390463%
District's proportionate share of the net OPEB liability	\$ 350,574	\$ 1,257,797	\$ 1,715,814
District's covered-employee payroll	\$ 2,094,093	\$ 2,090,698	\$ 2,092,550
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.74%	60.16%	82.00%
Plan fiduciary net position as a percentage of the total OPEB liability	59.44%	59.44%	48.46%

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

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

<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
0.02584953%	0.01679948%
\$ 2,054,767	\$ 1,487,673
\$ 2,202,846	\$ 1,486,951
93.28%	100.05%
43.10%	36.53%

ENGADINE CONSOLIDATED SCHOOLS
Required Supplementary Information
Schedule of the District Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2022

	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>
Contractually required contribution	\$ 786,677	\$ 699,855	\$ 654,735	\$ 661,244
Contributions in relation to the contractually required contribution	<u>786,677</u>	<u>699,855</u>	<u>654,735</u>	<u>661,244</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,095,117	\$ 1,998,938	\$ 2,117,506	\$ 2,107,143
Contributions as a percentage of covered employee payroll	37.55%	35.01%	30.92%	31.38%

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

<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
\$ 578,669	\$ 408,469	\$ 379,892	\$ 395,304
<u>578,669</u>	<u>408,469</u>	<u>379,892</u>	<u>395,304</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,215,385	\$ 1,314,408	\$ 1,333,136	\$ 1,291,963
26.12%	31.08%	28.50%	30.60%

ENGADINE CONSOLIDATED SCHOOLS
Required Supplementary Information
Schedule of District OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2022

	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>
Contractually required contribution	\$ 163,980	\$ 165,262	\$ 170,604
Contributions in relation to the contractually required contribution	<u>163,980</u>	<u>165,262</u>	<u>170,604</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,095,117	\$ 1,998,938	\$ 2,117,506
Contributions as a percentage of covered employee payroll	7.83%	8.27%	8.06%

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

<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
\$ 168,953	\$ 165,629
<u>168,953</u>	<u>165,629</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 2,107,143	\$ 2,215,385
8.02%	7.48%

ENGADINE CONSOLIDATED SCHOOLS
Notes to Required Supplementary Information
June 30, 2022

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2021-22.

Changes of assumptions: There were no changes of benefit assumptions in 2021-22.

Note B – Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2021-22.

Changes of assumptions: There were no changes of benefit assumptions in 2021-22.

SUPPLEMENTARY INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

ENGADINE CONSOLIDATED SCHOOLS
Combining Balance Sheet
June 30, 2022

	Engadine Operating	CCSS	Intra Account Eliminations	General Fund Total
Assets				
Cash	\$ 100	\$ -	\$ -	\$ 100
Cash equivalents, deposits and investments	435,727	607,421	-	1,043,148
Due from other funds	-	261,415	(261,415)	-
Due from other governmental units	686,642	168,599	-	855,241
Total Assets	\$ 1,122,469	\$ 1,037,435	\$ (261,415)	\$ 1,898,489
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 51,842	\$ 14,532	\$ -	\$ 66,374
Due to other funds	261,415	-	(261,415)	-
Due to other governmental units	114,841	15,413	-	130,254
Payroll withholdings payable	43,808	9,487	-	53,295
Accrued expenditures	7,172	5,620	-	12,792
Salaries payable	167,930	31,909	-	199,839
Unearned revenue	-	64,905	-	64,905
Total Liabilities	647,008	141,866	(261,415)	527,459
Fund Balances				
Restricted	-	895,569	-	895,569
Unassigned	475,461	-	-	475,461
Total Fund Balances	475,461	895,569	-	1,371,030
Total Liabilities and Fund Balances	\$ 1,122,469	\$ 1,037,435	\$ (261,415)	\$ 1,898,489

ENGADINE CONSOLIDATED SCHOOLS
General Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2022

	Engadine Operating	CCSS	General Fund Total
Revenues			
Local sources	\$ 2,178,480	\$ 81,231	\$ 2,259,711
Non-educational entity sources	17,856	86,372	104,228
State sources	739,747	1,343,884	2,083,631
Federal sources	836,484	179,630	1,016,114
Interdistrict sources	375,628	20,328	395,956
Total Revenues	4,148,195	1,711,445	5,859,640
Expenditures			
Current:			
Instruction:			
Basic programs	1,462,087	690,025	2,152,112
Added needs	584,639	36,986	621,625
Adult/continuing education	-	79,056	79,056
Supporting services:			
Pupil services	195,436	33,983	229,419
Instructional staff services	89,640	149,214	238,854
General administrative services	178,636	4,000	182,636
School administrative services	169,053	-	169,053
Business services	66,362	51,440	117,802
Operation and maintenance services	454,408	55,920	510,328
Pupil transportation services	517,114	15,984	533,098
Central services	135,754	36,928	172,682
Other supporting services	76,974	-	76,974
Community services	-	410,851	410,851
Capital Outlay	11,243	-	11,243
Debt service:			
Principal repayment	3,022	1,224	4,246
Interest and fiscal charges	701	120	821
Total Expenditures	3,945,069	1,565,731	5,510,800
Net Change in Fund Balances	203,126	145,714	348,840
Fund Balances, Beginning of Year	272,335	749,855	1,022,190
Fund Balances, End of Year	\$ 475,461	\$ 895,569	\$ 1,371,030

NONMAJOR GOVERNMENTAL FUNDS

ENGADINE CONSOLIDATED SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2022

Assets	Food Service	Special Revenue Public Purpose Trust	Student/School Activity
	-	-	-
Cash equivalents, deposits and investments	\$ 101,878	\$ 56,913	\$ 89,232
Accounts receivable	331	-	-
Due from other governmental units	5,211	-	-
Inventory	1,374	-	-
Total Assets	\$ 108,794	\$ 56,913	\$ 89,232
Liabilities and Fund Balances			
Liabilities			
Due to other governmental units	\$ 5,492	\$ -	\$ -
Payroll withholdings payable	3,011	-	-
Accrued expenditures	298	-	-
Salaries payable	3,699	-	-
Unearned Revenue	2,888	-	-
Total Liabilities	15,388	-	-
Fund Balances			
Nonspendable	1,374	-	-
Restricted	92,032	56,913	89,232
Total Fund Balances	93,406	56,913	89,232
Total Liabilities and Fund Balances	\$ 108,794	\$ 56,913	\$ 89,232

<u>Debt Service</u>	
<u>2015</u>	<u>Total</u>
\$ 33,261	\$ 281,284
-	331
-	5,211
-	1,374
<u>\$ 33,261</u>	<u>\$ 288,200</u>
\$ -	\$ 5,492
-	3,011
-	298
-	3,699
-	2,888
<u>-</u>	<u>15,388</u>
-	1,374
<u>33,261</u>	<u>271,438</u>
<u>33,261</u>	<u>272,812</u>
<u>\$ 33,261</u>	<u>\$ 288,200</u>

ENGADINE CONSOLIDATED SCHOOLS
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2022

	Special Revenue		
	Food Service	Public Purpose Trust	Student/School Activity
Revenues			
Local sources:			
Property taxes	\$ -	\$ -	\$ -
Interest earnings	71	50	-
Food sales	17,549	-	-
Other local sources	-	-	110,410
Total local sources	17,620	50	110,410
State sources	4,843	-	-
Federal sources	195,736	-	-
Total Revenues	218,199	50	110,410
Expenditures			
Current:			
Supporting services	-	-	102,668
Food service	185,358	-	-
Debt service:			
Principal repayment	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	185,358	-	102,668
Net Change in Fund Balances	32,841	50	7,742
Fund Balances, Beginning of Year	60,565	56,863	81,490
Fund Balances, End of Year	\$ 93,406	\$ 56,913	\$ 89,232

<u>Debt Service</u>		<u>Total</u>	
2015			
\$	176,033	\$	176,033
	213		334
	-		17,549
	-		110,410
	<u>176,246</u>		<u>304,326</u>
	4,314		9,157
	-		195,736
	<u>180,560</u>		<u>509,219</u>
	-		102,668
	-		185,358
	165,000		165,000
	21,200		21,200
	<u>186,200</u>		<u>474,226</u>
	(5,640)		34,993
	<u>38,901</u>		<u>237,819</u>
\$	<u>33,261</u>	\$	<u>272,812</u>

ENGADINE CONSOLIDATED SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	\$ 15,924	\$ 17,620	\$ 1,696
State sources	11,157	4,843	(6,314)
Federal sources	<u>167,513</u>	<u>195,736</u>	<u>28,223</u>
Total Revenues	<u>194,594</u>	<u>218,199</u>	<u>23,605</u>
Expenditures			
Current:			
Food service	<u>223,179</u>	<u>185,358</u>	<u>37,821</u>
Net Change in Fund Balances	(28,585)	32,841	61,426
Fund Balances, Beginning of Year	<u>60,565</u>	<u>60,565</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 31,980</u></u>	<u><u>\$ 93,406</u></u>	<u><u>\$ 61,426</u></u>

ENGADINE CONSOLIDATED SCHOOLS
Public Purpose Trust Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	<u>\$ 1,000</u>	<u>\$ 50</u>	<u>\$ (950)</u>
Expenditures			
Current:			
Other supporting services	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net Change in Fund Balance	<u>-</u>	<u>50</u>	<u>50</u>
Fund Balance, Beginning of Year	<u>56,863</u>	<u>56,863</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 56,863</u></u>	<u><u>\$ 56,913</u></u>	<u><u>\$ 50</u></u>

ENGADINE CONSOLIDATED SCHOOLS
Student/School Activity Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	<u>\$ 110,000</u>	<u>\$ 110,410</u>	<u>\$ 410</u>
Expenditures			
Current:			
Other supporting services	<u>98,000</u>	<u>102,668</u>	<u>(4,668)</u>
Net Change in Fund Balance	<u>12,000</u>	<u>7,742</u>	<u>(4,258)</u>
Fund Balance, Beginning of Year	<u>81,490</u>	<u>81,490</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 93,490</u></u>	<u><u>\$ 89,232</u></u>	<u><u>\$ (4,258)</u></u>

ENGADINE CONSOLIDATED SCHOOLS
Mackinac County, Michigan

Additional Reports Required by
the Uniform Guidance

For the year ended June 30, 2022

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ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2022

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 26, 2022

The Board of Education
Engadine Consolidated Schools
Mackinac County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Engadine Consolidated Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Engadine Consolidated Schools' basic financial statements, and have issued our report thereon dated October 26, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Engadine Consolidated Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Engadine Consolidated Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Engadine Consolidated Schools' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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



Certified Public Accountants
Grand Rapids, Michigan

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

October 26, 2022

The Board of Education
Engadine Consolidated Schools
Mackinac County, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Engadine Consolidated Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Engadine Consolidated Schools' major federal program for the year ended June 30, 2022. Engadine Consolidated Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Engadine Consolidated Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Engadine Consolidated Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Engadine Consolidated Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Engadine Consolidated Schools' compliance with the requirements of the major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Engadine Consolidated Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise of Engadine Consolidated Schools' basic financial statements. We issued our report thereon dated October 26, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Certified Public Accountants
Grand Rapids, Michigan

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
U. S. Department of Education		
Direct Awards:		
Indian Education:	84.060A	
Regular 20-21		\$ 24,362
Regular 21-22		<u>19,367</u>
Total Indian Education		<u>43,729</u>
Early Learning Fund:	93.577	
Communities Helping to Increase Learning Development (CHILD) Grant: 2022		<u>26,966</u>
Total Early Learning Fund		<u>26,966</u>
Total Direct Awards		<u>70,695</u>
Passed through Michigan Department of Education (MDE):		
Federal Adult Education ABE Instruction:	84.002	
211130, 211706 CCSS		51,450
221130, 221706 CCSS		<u>52,245</u>
Total Federal Adult Education ABE Instruction		<u>103,695</u>
Title I, Part A:	84.010	
211530 2021		88,331
221530 2122		<u>90,414</u>
Total Title I, Part A		<u>178,745</u>
Title V, Part B:	84.358	
210660 2021		<u>6,186</u>
Total Title V, Part B		<u>6,186</u>
Title II, Part A:	84.367	
220520 2122		<u>16,598</u>
Total Title II, Part A		<u>16,598</u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2022
\$ 11,176	\$ 24,362	\$ -	\$ 11,176	\$ -
-	-	19,367	12,474	6,893
11,176	24,362	19,367	23,650	6,893
-	-	26,966	26,966	-
-	-	26,966	26,966	-
11,176	24,362	46,333	50,616	6,893
51,450	51,450	-	51,450	-
-	-	52,245	-	52,245
51,450	51,450	52,245	51,450	52,245
6,880	83,676	4,655	6,880	4,655
-	-	90,912	68,584	22,328
6,880	83,676	95,567	75,464	26,983
6,186	-	-	6,186	-
6,186	-	-	6,186	-
-	-	16,598	16,141	457
-	-	16,598	16,141	457

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
Title IV, Part A:	84.424	
210750 2021		\$ 10,000
220750 2122		<u>10,000</u>
Total Title IV, Part A		<u>20,000</u>
Education Stabilization Fund:	84.425	
201200 20-21 GEER Funds K-12	84.425C	27,977
211202 2122 GEER II - Teacher & Support Staff Payments	84.425C	11,500
203710 1920 ESSER Formula Funds	84.425D	70,365
203720 1920 ESSER - Education Equity Funds	84.425D	10,554
213712 20-21 ESSER Formula Funds II	84.425D	300,070
213722 2122 ESSER II - Summer Programming K-8	84.425D	22,000
213742 2122 ESSER II - Credit Recovery 9-12	84.425D	22,000
213762 2122 ESSER II - Innovative Summer	84.425D	2,050
213713 2122 ARP/ESSER III	84.425U	<u>674,392</u>
Total Education Stabilization Fund		<u>1,140,908</u>
Total Passed Through MDE		<u>1,466,132</u>
Passed Through Eastern Upper Peninsula Intermediate School District (EUPISD):		
Special Education Cluster:		
Grants to States - Flowthrough:	84.027	
210450 2021		19,563
220450 2021		<u>34,650</u>
Total Special Education Cluster		<u>54,213</u>
Total Passed through EUPISD		<u>54,213</u>
Total U.S. Department of Education		<u>1,591,040</u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2022
\$ 1,360	\$ 10,000	\$ -	\$ 1,360	\$ -
-	-	10,000	7,270	2,730
1,360	10,000	10,000	8,630	2,730
27,977	27,977	-	27,977	-
-	-	11,500	11,500	-
64,883	64,883	5,482	70,365	-
10,554	10,554	-	10,554	-
-	-	300,070	207,380	92,690
-	-	8,151	8,151	-
-	-	5,476	5,476	-
-	-	2,050	2,050	-
		317,580	260,389	57,191
103,414	103,414	650,309	603,842	149,881
169,290	248,540	824,719	761,713	232,296
19,563	19,563	-	19,563	-
-	-	34,650	8,100	26,550
19,563	19,563	34,650	27,663	26,550
19,563	19,563	34,650	27,663	26,550
200,029	292,465	905,702	839,992	265,739

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
U.S. Department of Health and Human Services		
Passed Through Eastern Upper Peninsula Intermediate School District (EUPISD):		
Medicaid Cluster:		
Medical Assistance Program:	93.778	
2022 Medicaid Outreach		\$ 846
Total Passed Through EUPISD		846
Total U.S. Department of Health and Human Services		846
U.S. Department of Treasury		
Passed Through Eastern Upper Peninsula Intermediate School District (EUPISD):		
Coronavirus State and Local Fiscal Recovery Funds	21.027	
Great Start Readiness Program		
22S439		154,000
Total U.S. Department of Treasury		154,000
U.S. Department of Agriculture		
Passed through Michigan Department of Education (MDE):		
Child Nutrition Cluster:		
Non-Cash Assistance (U.S.D.A. Commodities):	10.555	
Entitlement Commodities		8,879
Total Non-Cash Assistance		8,879
Cash Assistance:	10.553	
Seamless Summer Option - Breakfast:		
211971		4,364
221970		1,660
221971		47,617
Total Seamless Summer Option - Breakfast		53,641

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2022
\$ -	\$ -	\$ 846	\$ 846	\$ -
-	-	846	846	-
-	-	846	846	-
-	-	109,566	40,241	69,325
-	-	109,566	40,241	69,325
-	-	8,879	8,879	-
-	-	8,879	8,879	-
-	-	4,364	4,364	-
-	-	1,660	-	1,660
-	-	47,617	47,617	-
-	-	53,641	51,981	1,660

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
Seamless Summer Option - Lunch:	10.555	
211961		\$ 10,820
221960		3,551
221961		<u>118,231</u>
Total Seamless Summer Option - Lunch		<u>132,602</u>
Total Cash Assistance		<u>186,243</u>
Total Child Nutrition Cluster		<u>195,122</u>
Pandemic EBT Local Level Costs	10.649	
210980		<u>614</u>
Total U.S. Department of Agriculture		<u>195,736</u>
Total Federal Financial Assistance		<u><u>\$ 1,941,622</u></u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2022
\$ -	\$ -	\$ 10,820	\$ 10,820	\$ -
-	-	3,551	-	3,551
-	-	118,231	118,231	-
-	-	132,602	129,051	3,551
-	-	186,243	181,032	5,211
-	-	195,122	189,911	5,211
-	-	614	614	-
-	-	195,736	190,525	5,211
<u>\$ 200,029</u>	<u>\$ 292,465</u>	<u>\$ 1,211,850</u>	<u>\$ 1,071,604</u>	<u>\$ 340,275</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2022

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Engadine Consolidated Schools under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Engadine Consolidated Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows, as applicable, of Engadine Consolidated Schools.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate

Engadine Consolidated Schools has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Note D – Grant Section Auditor Report

Management has utilized the MDE NexSys Grant Application and Cash Management System, and the Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.

Note E – Non-Cash Assistance

The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with the schedule for USDA donated food commodities.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2022

Note F – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Indian Education	\$ 19,367	\$ 19,367	\$ -
Early Learning Fund	26,966	26,966	-
Adult Education ABE Instruction	52,245	52,245	-
Title I, Part A	95,567	95,567	-
Title II, Part A	16,598	16,598	-
Title IV, Part A	10,000	10,000	-
Education Stabilization Fund	650,309	650,309	-
Special Education Cluster	34,650	34,650	-
Medicaid Cluster	846	846	-
Coronavirus State and Local Fiscal Recovery Funds	109,566	109,566	-
Child Nutrition Cluster	195,122	195,122	-
Pandemic EBT Local Level Costs	614	614	-
	<u>\$ 1,211,850</u>	<u>\$ 1,211,850</u>	<u>\$ -</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

_____ Yes X No

Identification of major programs audited:

84.425 Education Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2022

Section II - Financial Statements Audit Findings

There were no findings that are required to be reported under *Government Auditing Standards*.

Section III – Major Federal Award Programs Findings and Questioned Costs

There were no findings or questioned costs.

October 26, 2022

The Board of Education
Engadine Consolidated Schools
Mackinac County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Engadine Consolidated Schools for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters to you dated April 13, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Engadine Consolidated Schools are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2022. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Government-Wide financial statements were:

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. Certain amounts included in capital assets have been estimated by appraisers based on historical information for assets placed in service prior to implementation of GASB Statement No. 34.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were related to the District's share of the net pension and net OPEB liabilities related to GASB Statements No. 68 and 75.

The disclosure of the net pension liability and the net OPEB liability in the Notes to the financial statements were recorded as of June 30, 2022 based on information received from the Michigan Office of Retirement Services. We evaluated the key factors and assumptions used to develop these liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No significant adjustments were derived from the audit process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 26, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matter, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Per 7 CFR Part 210.14(b), and as detailed in the Michigan Department of Education (MDE) School Auditing Manual, the District must limit its net cash resources in the Food Service Fund to an amount that does not exceed 3 months average expenditures for its nonprofit school food service. Due to the impact of the COVID-19 pandemic on the School Nutrition Program, which resulted in increased reimbursement rates for meals served, many school districts in the State, including Engadine Consolidated Schools, now have an excess fund balance and must work with MDE to gain approval of a spend down plan for the subsequent school year. To assist in MDE monitoring efforts, all CPA firms performing audits of school districts in Michigan have been asked to identify districts with excess fund balance though this required communication with governance. An audit finding has not been included in the Single Audit report that accompanies this letter, as excess fund balance requirements are not detailed in the Office of Management and Budget's Compliance Supplement for the Child Nutrition Cluster of Programs.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Schedules related to the Proportionate Share and Contributions of the District's Net Pension Liability and Net OPEB Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining and individual fund statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Comments

The District combined General Fund balance increased by \$348,840 to \$1,371,030 at June 30, 2022. This balance represents approximately 25.79 percent of the District's combined 2022-23 expenditure budget (down from 29.10 percent at June 30, 2021). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Engadine Consolidated Schools. This gives the District more stable operating funds during the year helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District.

Engadine Consolidated Schools
Page 4
October 26, 2022

Closing

This communication is intended solely for the information and use of the Engadine Consolidated Schools Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

Hungerford Nichols

Certified Public Accountants