# ALLENDALE PUBLIC SCHOOLS

## REPORT ON FINANCIAL STATEMENTS
## (with required supplementary and additional supplementary information)

## YEAR ENDED JUNE 30, 2022

Maner Costerisan

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Maner Costerisan

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Allendale Public Schools

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allendale Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Allendale Public 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 Allendale Public Schools, as of June 30, 2022, and the respective changes in financial position thereof 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 Allendale Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Change in Accounting Principle*

As discussed in Note 13 to the financial statements, in 2022 the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allendale Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 additional supplementary information, including the schedule of expenditures of federal awards 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 September 30, 2022 on our consideration of Allendale Public 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 Allendale Public 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 Allendale Public Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

September 30, 2022

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

## District-wide Financial Statements

The first two statements are District-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, deferred outflow of resources, liabilities, and deferred inflows of resources, both short-term and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term obligations of the District resulting in total net position.

Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. To assess the District's overall financial health, one should consider additional factors which may include the State's and/or region's economic condition, changes in the District's property tax base, and age and condition of its capital assets.

## Fund Financial Statements

For the most part, the fund financial statements are comparable to financial statements for the prior fiscal years. The fund level statements are reported on a modified accrual basis in that only those assets that are deemed "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds categorized as Special Revenue, Debt Service, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**Summary of Net Position**

The following schedule summarizes the net position for the fiscal years ended June 30, 2022 and 2021:

| | 2022 | 2021* |
|---|---|---|
| ASSETS | | |
| Current and other assets | $ 14,635,216 | $ 12,880,737 |
| Capital assets | 83,235,274 | 84,824,029 |
| TOTAL ASSETS | 97,870,490 | 97,704,766 |
| DEFERRED OUTFLOWS OF RESOURCES | 15,095,485 | 20,693,963 |
| LIABILITIES | | |
| Long-term liabilities outstanding | 119,889,275 | 124,363,687 |
| Net pension liability | 39,061,025 | 56,377,404 |
| Net OPEB liability | 2,506,144 | 8,940,275 |
| Other liabilities | 6,229,859 | 6,128,616 |
| TOTAL LIABILITIES | 167,686,303 | 195,809,982 |
| DEFERRED INFLOWS OF RESOURCES | 25,204,074 | 9,431,969 |
| NET POSITION | | |
| Net investment in capital assets | (32,554,343) | (34,632,398) |
| Unrestricted | (47,370,059) | (52,210,824) |
| TOTAL NET POSITION | $ (79,924,402) | $ (86,843,222) |

*The 2021 figures have not been updated for the adoption of GASB 87.

**Analysis of Financial Position**

During the fiscal year ended June 30, 2022, the District's combined net position increased by $6,918,820. A few of the more significant factors affecting net position during the year are discussed below:

- Cash Equivalents, Deposits, and Investments

  At June 30, 2022, the District's cash equivalents, deposits and investments amounted to $9,681,243. This represented an increase of $1,687,507 from the previous year.

- Capital Outlay Acquisitions

  For the fiscal year ended June 30, 2022, $826,278 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained below.

  The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net decrease to capital assets in the amount of $2,052,887 for the fiscal year ended June 30, 2022.

- Depreciation Expense

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

- Long-term Debt

  For the fiscal year ended June 30, 2022, the District's bonded debt (including the School Loan Revolving Fund) decreased by $4,925,797 as a net result of bonds issued and payments on bonded debt in the current year.

## Results of Operations

For the fiscal years ended June 30, 2022 and 2021, the results of operations, on a District-wide basis, were:

| | 2022 | | 2021* | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| REVENUES | | | | |
| General revenues | | | | |
| Property taxes | $ 12,346,254 | 26.89% | $ 11,890,099 | 28.72% |
| State sources, unrestricted | 18,052,446 | 39.31% | 17,211,895 | 41.57% |
| Investment earnings | 18,138 | 0.04% | 20,817 | 0.05% |
| Other | 184,883 | 0.40% | 356,398 | 0.86% |
| Total general revenues | 30,601,721 | 66.64% | 29,479,209 | 71.19% |
| Program revenues | | | | |
| Charges for services | 756,816 | 1.65% | 399,489 | 0.96% |
| Operating grants and contributions | 14,559,560 | 31.71% | 11,528,265 | 27.84% |
| TOTAL REVENUES | 45,918,097 | 100.00% | 41,406,963 | 100.00% |
| EXPENSES | | | | |
| Instruction | 17,778,760 | 45.59% | 20,378,569 | 48.72% |
| Support services | 12,098,612 | 31.02% | 12,474,203 | 29.82% |
| Community services | 602,592 | 1.55% | 511,872 | 1.22% |
| Student/school activities | 546,468 | 1.40% | 298,126 | 0.71% |
| Food services | 1,122,894 | 2.88% | 1,049,976 | 2.51% |
| Depreciation - unallocated | 2,877,837 | 7.38% | 2,763,502 | 6.61% |
| Interest on long-term debt | 3,972,114 | 10.19% | 4,350,054 | 10.40% |
| TOTAL EXPENSES | 38,999,277 | 100.00% | 41,826,302 | 100.00% |
| Change in net position | $ 6,918,820 | | $ (419,339) | |

*The 2021 figures have not been updated for the adoption of GASB 87.

## Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

- Property Taxes

  The District levied 18.000 mills of property taxes for operations on non-principal residence exempt property for the 2021 tax year. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time that property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value. At June 30, 2022, there was $257 in unpaid property taxes.

- State Sources

  The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment which is calculated using the 90% of the current fiscal years fall count and 10% of the previous year supplemental count. For the 2021 - 2022 fiscal year, the District received $8,700 per student full time equivalent. The student foundation allowance amount per student increased $589 when compared to the 2020 - 2021 fiscal year.

- Operating Grants

  The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2022, federal, state, and other grants amounted to $14,559,560. This represents a 26.29% increase from the $11,528,265 received for the 2020 - 2021 fiscal year.

**Comparative Expenditures**

A comparison of the expenditures reported on the Statement of Revenues, Expenditures and Changes in Fund Balances is shown below:

| | 2022 | 2021* | Increase (Decrease) |
|---|---|---|---|
| EXPENDITURES | | | |
| Instruction | $ 19,568,860 | $ 18,527,013 | $ 1,041,847 |
| Supporting services | 13,124,632 | 11,962,931 | 1,161,701 |
| Food service activities | 1,182,685 | 1,007,216 | 175,469 |
| Community service activities | 669,435 | 450,263 | 219,172 |
| Student/school activities | 546,468 | 298,126 | 248,342 |
| Capital outlay | 1,225,066 | 4,294,800 | (3,069,734) |
| Debt service | 18,154,469 | 23,088,856 | (4,934,387) |
| TOTAL EXPENDITURES | $ 54,471,615 | $ 59,629,205 | $ (5,157,590) |

*The 2021 figures have not been updated for the adoption of GASB 87.

**General Fund Budgetary Highlights**

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the annual operating budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30, 2022.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations for the fiscal year ending June 30, 2022.

| | Original Budget | Final Budget | Actual | Final Variance with Budget | % Variance |
|---|---|---|---|---|---|
| TOTAL REVENUES | $ 32,766,247 | $ 35,771,272 | $ 35,669,997 | $ (101,275) | -0.28% |
| EXPENDITURES | | | | | |
| Instruction | $ 19,615,100 | $ 19,717,384 | $ 19,568,860 | $ 148,524 | 0.75% |
| Supporting services | 12,494,184 | 13,260,257 | 13,124,632 | 135,625 | 1.02% |
| Community services | 579,127 | 667,495 | 669,435 | (1,940) | -0.29% |
| TOTAL EXPENDITURES | $ 32,688,411 | $ 33,759,686 | $ 33,477,579 | $ 282,107 | 0.84% |
| Other financing sources (uses) | $ (1,831) | $ (1,340,000) | $ (1,521,454) | $ (181,454) | 13.54% |

The original budget adopted by the Board in June 2021 was amended twice during the year. The amendments, approved in January and June 2022, reflected necessary changes to both revenues and expenditures based on projections made by the Chief Financial Officer.

## Capital Asset and Debt Administration

### Capital Assets

By the end of the 2021 - 2022 fiscal year, the District had invested approximately $125 million as the original cost in a broad range of capital assets, including land, construction in progress, land improvements, school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of $1,086,913 over the prior fiscal year. Depreciation/amortization expense for the year amounted to $2,877,837, bringing the accumulated depreciation/amortization to roughly $41.8 million as of June 30, 2022.

| | Cost | Accumulated Depreciation/ Amortization | 2022 Net Book Value | 2021 Net Book Value* |
|---|---|---|---|---|
| Land | $ 2,959,441 | $ - | $ 2,959,441 | $ 2,959,441 |
| Construction in progress | 316,494 | - | 316,494 | 285,511 |
| Land improvements | 5,292,175 | 4,266,883 | 1,025,292 | 1,138,614 |
| Buildings and improvements | 105,065,544 | 28,608,060 | 76,457,484 | 78,394,826 |
| Furniture and equipment | 8,097,336 | 6,974,375 | 1,122,961 | 786,975 |
| Right to use - leased equipment | 464,132 | 109,208 | 354,924 | - |
| Transportation equipment | 2,848,212 | 1,849,534 | 998,678 | 1,258,662 |
| | $ 125,043,334 | $ 41,808,060 | $ 83,235,274 | $ 84,824,029 |

*The 2021 figures have not been updated for the adoption of GASB 87.

## Long-term Debt

At June 30, 2022, the District had $119,889,275 in long-term obligations which included $109,324,826 in outstanding bonds and other debt. The bonded and other debt obligations were decreased during the year, as the District continued to pay back outstanding debt during the year. In addition to the bonded debt, the District has obligations due to its participation in the School Loan Revolving Fund in the amount of $9,823,426, compensated absences of $375,107, and a lease liability of $365,916 at the end of the fiscal year.

## Factors Bearing on the District's Future

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

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan and the District. One of the most important factors affecting the District's budget is student count. General Fund revenue is generated from the State's per pupil allowance, and a combination of State aid and property taxes. Under State law, the District cannot assess additional property tax revenue for general operations.

- The district received ESSER (Elementary and Secondary School Emergency Relief) Funds and CRF (Coronavirus Relief Funds) from the Federal Government which helped offset the cost of opening and fully operating the school district for 2020-21 and 2021-22. ESSER II and ESSER III funding is projected to be received and spent through 2024 to offset future expenses related to COVID-19.

- In November, 2018, county voters approved a 0.9 mill enhancement millage where the funds will primarily be used to maintain current academic and extra-curricular offerings, improve mental health and social-emotional learning services district-wide with additional staff, and ongoing upgrades to district safety and security.

- Demographic projections indicate that enrollment is likely to continue growing slowly over the next several years. While this is good news, especially compared to most districts within the State, the lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities, District administration continues to remain diligent in its decision-making as the Board desires to increase its level of reserves (fund balance). Measures to accomplish this include, but are not limited to, cooperative agreements with the Ottawa Area Intermediate School District as well as neighboring public and parochial schools and strategic changes to how the District handles its non-instructional support services.

- In 2007, Allendale voters approved utilizing the School Bond Loan Fund, (a program created by the Michigan Legislature to assist school districts in bonding for new facilities) to construct new school buildings in order to accommodate the District's growing population of students. New legislation passed in December 2012 obligates school districts to annually review their outstanding debt beginning in the fall of 2013 and levy a millage to ensure that the bond debt will be paid within a newly appointed 30-year period. House Bills 4496 and 4497 were signed into law by Governor Snyder in June 2015 which amended the 2012 legislation allowing the District to refinance $144 million of outstanding debt saving taxpayers approximately $34.5 million of future interest expense.

- In May, 2017, voters approved a $29.6 million bond proposal focusing on growth, safety and security, educational technology and building and site improvements. Over $28.5 million has been spent on these projects with the remaining funds being spent gradually over the next two years to provide for the continuing needs of the district. The largest project, the Allendale Early Childhood Center, opened for the 2019-20 school year.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional information, please contact the Chief Financial Officer at Allendale Public Schools, 10505 Learning Lane, Allendale, MI 49401.

# BASIC FINANCIAL STATEMENTS

**ALLENDALE PUBLIC SCHOOLS**
**STATEMENT OF NET POSITION**
**JUNE 30, 2022**

| | Governmental Activities |
|---|---|
| ASSETS | |
| Cash and cash equivalents | $ 5,964,895 |
| Cash and cash equivalents - restricted for capital projects | 779,949 |
| Investments | 2,936,399 |
| Receivables | |
| Accounts receivable | 37,712 |
| Property taxes receivable | 257 |
| Intergovernmental | 4,798,554 |
| Inventories | 13,431 |
| Prepaids | 104,019 |
| Capital assets, not being depreciated | 3,275,935 |
| Capital assets, net of accumulated depreciation/amortization | 79,959,339 |
| TOTAL ASSETS | 97,870,490 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred charge on refunding | 1,391,723 |
| Related to pensions | 9,760,595 |
| Related to OPEB | 3,943,167 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 15,095,485 |
| LIABILITIES | |
| Accounts payable | 1,268,580 |
| Accrued salaries and related items | 2,436,990 |
| Accrued retirement | 1,057,661 |
| Accrued interest | 583,710 |
| Unearned revenue | 882,918 |
| Noncurrent liabilities | |
| Due within one year | 15,078,087 |
| Due in more than one year | 104,811,188 |
| Net pension liability | 39,061,025 |
| Net OPEB liability | 2,506,144 |
| TOTAL LIABILITIES | 167,686,303 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to pensions | 13,029,504 |
| Related to OPEB | 9,677,671 |
| Related to state aid funding for pension | 2,496,899 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 25,204,074 |
| NET POSITION | |
| Net investment in capital assets | (32,554,343) |
| Unrestricted | (47,370,059) |
| TOTAL NET POSITION | $ (79,924,402) |

See notes to financial statements.

# ALLENDALE PUBLIC SCHOOLS
# STATEMENT OF ACTIVITIES
# YEAR ENDED JUNE 30, 2022

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Governmental Activities: Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| Governmental activities | | | | |
| Instruction | $ 17,778,760 | $ 25,818 | $ 11,305,467 | $ (6,447,475) |
| Support services | 12,098,612 | 225,578 | 554,257 | (11,318,777) |
| Community services | 602,592 | 434,948 | 412,924 | 245,280 |
| Food services | 1,122,894 | 70,472 | 1,663,071 | 610,649 |
| Student/school activities | 546,468 | - | 623,841 | 77,373 |
| Interest on long-term debt | 3,972,114 | - | - | (3,972,114) |
| Unallocated depreciation/amortization | 2,877,837 | - | - | (2,877,837) |
| Total governmental activities | $ 38,999,277 | $ 756,816 | $ 14,559,560 | (23,682,901) |
| General revenues | | | | |
| Property taxes, levied for general purposes | | | | 4,295,950 |
| Property taxes, levied for debt service | | | | 8,050,304 |
| Investment earnings | | | | 18,138 |
| State sources, unrestricted | | | | 18,052,446 |
| Other | | | | 184,883 |
| Total general revenues | | | | 30,601,721 |
| CHANGE IN NET POSITION | | | | 6,918,820 |
| NET POSITION, beginning of year | | | | (86,843,222) |
| NET POSITION, end of year | | | | $ (79,924,402) |

See notes to financial statements.

**ALLENDALE PUBLIC SCHOOLS**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2022**

| | General Fund | 2020 Building and Site Bonds | Capital Projects Fund | 2016 Refunding Debt Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | $ 4,698,323 | $ - | $ - | $ 15,476 | $ 1,251,096 | $ 5,964,895 |
| Cash and cash equivalents - restricted | - | 779,949 | - | - | - | 779,949 |
| Investments | - | - | 2,936,399 | - | - | 2,936,399 |
| Receivables | | | | | | |
| Property taxes receivable | 257 | - | - | - | - | 257 |
| Accounts receivable | 37,712 | - | - | - | - | 37,712 |
| Intergovernmental | 4,747,291 | - | - | - | 51,263 | 4,798,554 |
| Due from other funds | - | - | 394,090 | - | 38,814 | 432,904 |
| Inventories | - | - | - | - | 13,431 | 13,431 |
| Prepaids | 65,019 | - | - | - | 39,000 | 104,019 |
| TOTAL ASSETS | $ 9,548,602 | $ 779,949 | $ 3,330,489 | $ 15,476 | $ 1,393,604 | $ 15,068,120 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | $ 574,975 | $ 305,175 | $ 330,665 | $ 1,405 | $ 56,360 | $ 1,268,580 |
| Accrued salaries and related items | 2,435,474 | - | - | - | 1,516 | 2,436,990 |
| Accrued retirement | 1,048,584 | - | - | - | 9,077 | 1,057,661 |
| Due to other funds | 426,902 | 4,163 | - | - | 1,839 | 432,904 |
| Unearned revenue | 851,175 | - | - | - | 31,743 | 882,918 |
| TOTAL LIABILITIES | 5,337,110 | 309,338 | 330,665 | 1,405 | 100,535 | 6,079,053 |

See notes to financial statements.

| | General Fund | 2020 Building and Site Bonds | Capital Projects Fund | 2016 Refunding Debt Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| LIABILITIES AND FUND BALANCES (continued) | | | | | | |
| FUND BALANCES | | | | | | |
| Nonspendable | | | | | | |
| Inventories | $ - | $ - | $ - | $ - | $ 13,431 | $ 13,431 |
| Prepaids | 65,019 | - | - | - | 39,000 | 104,019 |
| Restricted for: | | | | | | |
| Capital projects | - | 470,611 | - | - | - | 470,611 |
| Debt service | - | - | - | 14,071 | 140,953 | 155,024 |
| Food service | - | - | - | - | 750,394 | 750,394 |
| Committed for student/school activities | - | - | - | - | 349,291 | 349,291 |
| Assigned for capital projects | - | - | 2,999,824 | - | - | 2,999,824 |
| Unassigned | 4,146,473 | - | - | - | - | 4,146,473 |
| TOTAL FUND BALANCES | 4,211,492 | 470,611 | 2,999,824 | 14,071 | 1,293,069 | 8,989,067 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 9,548,602 | $ 779,949 | $ 3,330,489 | $ 15,476 | $ 1,393,604 | $ 15,068,120 |

| | | |
|---|---|---|
| Total governmental fund balances | | $ 8,989,067 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Value of amortized deferred charges | $ 2,197,126 | |
| Accumulated amortization | (805,403) | |
| Deferred charge on refunding, net of amortization | | 1,391,723 |
| Deferred outflows of resources - related to pensions | | 9,760,595 |
| Deferred outflows of resources - related to OPEB | | 3,943,167 |
| Deferred inflows of resources - related to pensions | | (13,029,504) |
| Deferred inflows of resources - related to OPEB | | (9,677,671) |
| Deferred inflows of resources - related to state pension funding | | (2,496,899) |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds: | | |
| The cost of the capital assets is | 125,043,334 | |
| Accumulated depreciation/amortization is | (41,808,060) | |
| | | 83,235,274 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | | |
| General obligation bonds | | (109,324,825) |
| Direct borrowing and direct placement | | (10,189,343) |
| Compensated absences and termination benefits | | (375,107) |
| Net pension liability | | (39,061,025) |
| Net OPEB liability | | (2,506,144) |
| Accrued interest is not included as a liability in governmental funds, it is recorded when paid | | (583,710) |
| Net position of governmental activities | | $ (79,924,402) |

See notes to financial statements.

## ALLENDALE PUBLIC SCHOOLS
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
## YEAR ENDED JUNE 30, 2022

| | General Fund | 2020 Building and Site Bonds | Capital Projects Fund | 2016 Refunding Debt Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Local sources | | | | | | |
| Property taxes | $ 4,295,950 | $ - | $ - | $ 4,445,667 | $ 3,604,541 | $ 12,346,158 |
| Tuition | 502,394 | - | - | - | - | 502,394 |
| Investment earnings | 9,157 | 2,568 | 2,677 | 1,446 | 2,386 | 18,234 |
| Food sales | - | - | - | - | 70,472 | 70,472 |
| Student/school activities | - | - | - | - | 623,841 | 623,841 |
| Other | 251,938 | - | - | - | - | 251,938 |
| Total local sources | 5,059,439 | 2,568 | 2,677 | 4,447,113 | 4,301,240 | 13,813,037 |
| State sources | 24,529,735 | - | - | 97,604 | 162,687 | 24,790,026 |
| Federal sources | 2,786,236 | - | - | - | 1,543,123 | 4,329,359 |
| Interdistrict sources and other | 3,294,587 | - | - | - | - | 3,294,587 |
| TOTAL REVENUES | 35,669,997 | 2,568 | 2,677 | 4,544,717 | 6,007,050 | 46,227,009 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | 19,568,860 | - | - | - | - | 19,568,860 |
| Supporting services | 13,124,632 | - | - | - | - | 13,124,632 |
| Community service activities | 669,435 | - | - | - | - | 669,435 |
| Food service activities | - | - | - | - | 1,182,685 | 1,182,685 |
| Student/school activities | - | - | - | - | 546,468 | 546,468 |
| Capital outlay | - | 673,633 | 551,433 | - | - | 1,225,066 |

See notes to financial statements.

| | General Fund | 2020 Building and Site Bonds | Capital Projects Fund | 2016 Refunding Debt Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| EXPENDITURES (continued) | | | | | | |
| Debt service | | | | | | |
| Principal repayment | $ 98,216 | $ - | $ - | $ 12,160,000 | $ 1,850,000 | $ 14,108,216 |
| Interest | 16,436 | - | - | 1,720,100 | 2,301,948 | 4,038,484 |
| Other | - | 811 | - | 3,224 | 3,734 | 7,769 |
| TOTAL EXPENDITURES | 33,477,579 | 674,444 | 551,433 | 13,883,324 | 5,884,835 | 54,471,615 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 2,192,418 | (671,876) | (548,756) | (9,338,607) | 122,215 | (8,244,606) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from school loan revolving fund | - | - | - | 9,348,000 | 452,000 | 9,800,000 |
| Proceeds from the sale of capital assets | 8,546 | - | - | - | - | 8,546 |
| Transfers in | 65,000 | - | 1,595,000 | - | - | 1,660,000 |
| Transfers out | (1,595,000) | - | - | - | (65,000) | (1,660,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,521,454) | - | 1,595,000 | 9,348,000 | 387,000 | 9,808,546 |
| NET CHANGE IN FUND BALANCES | 670,964 | (671,876) | 1,046,244 | 9,393 | 509,215 | 1,563,940 |
| FUND BALANCES | | | | | | |
| Beginning of year | 3,540,528 | 1,142,487 | 1,953,580 | 4,678 | 783,854 | 7,425,127 |
| End of year | $ 4,211,492 | $ 470,611 | $ 2,999,824 | $ 14,071 | $ 1,293,069 | $ 8,989,067 |

See notes to financial statements.

**ALLENDALE PUBLIC SCHOOLS**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**
**TO THE STATEMENT OF ACTIVITIES**
**YEAR ENDED JUNE 30, 2022**

| | |
|---|---|
| **Net Change in Fund Balances Total Governmental Funds** | $ 1,563,940 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation/amortization: | |
| Depreciation/amortization expense | (2,877,837) |
| Capital outlay | 826,278 |
| Loss from the sale of capital assets | (1,328) |
| Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid: | |
| Accrued interest payable, beginning of the year | 673,006 |
| Accrued interest payable, end of the year | (583,710) |
| The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows: | |
| Payments on general obligation bonds | 14,010,000 |
| Payments on lease | 98,216 |
| Proceeds from school loan revolving fund | (9,800,000) |
| Long-term accrued interest on school loan revolving fund | (22,427) |
| Amortization of deferred loss on refunding | (122,978) |
| Amortization of bond premium | 640,008 |
| Compensated absences and termination benefits are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds: | |
| Accrued compensated absences and termination benefits, beginning of the year | 387,854 |
| Accrued compensated absences and termination benefits, end of the year | (375,107) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: | |
| Pension related items | 373,695 |
| OPEB related items | 2,446,668 |
| Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period: | |
| State aid funding for pension, beginning of year | 2,179,441 |
| State aid funding for pension, end of year | (2,496,899) |
| **Change in Net Position of Governmental Activities** | $ 6,918,820 |

See notes to financial statements.

**ALLENDALE PUBLIC SCHOOLS**
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

Allendale Public Schools (the "District") is governed by the Allendale Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

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

The *2020 Building and Site Fund* accounts for revenues and expenditures that have been restricted for school building and site purposes throughout the District.

The *Capital Projects Fund* accounts for revenues and expenditures that have been assigned for capital projects and curriculum expenditures throughout the District.

The *2016 Refunding Debt Fund* accounts for resources accumulated and payments made for principal and interest of the School District's outstanding School Loan Revolving Fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation - Fund Financial Statements (continued)

The capital projects funds include capital project activities funded by bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of section 1351a of the Revised School Code.

The following is a summary of the cumulative revenue and expenditures for the 2020 school bonds' activity:

| | 2020 Bonds |
|---|---|
| Revenue | $ 7,844,080 |
| Expenditures | $ 7,373,469 |

The above revenue figures include original 2020 school bond proceeds of $7,773,792.

*Other Nonmajor Funds*

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

The *Debt Service Funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

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

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

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts taken.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as intergovernmental receivables.

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

*Budgetary Basis of Accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2022. The District does not consider these amendments to be significant.

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

*Cash and Cash Equivalents*

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Investments*

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

*Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Capital Assets*

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period of the estimated useful lives. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

| Capital Asset Classes | Lives |
|---|---|
| Land improvements | 10 - 20 years |
| Buildings and improvements | 40 - 50 years |
| Transportation equipment | 5 - 10 years |
| Right to use - leased equipment | 3 - 5 years |
| Furniture and equipment | 3 - 10 years |

*Defined Benefit Plans*

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Deferred Outflows*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension, and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

*Deferred Inflows*

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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

*Net Position Flow Assumption*

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

In the computation of net invested in capital assets, school loan revolving fund principal proceeds and lease proceeds of $10,189,343 are considered capital-related debt.

During the year ended June 30, 2020, the District issued bonded debt in the amount of $40,570,000 used to make principal and interest payments related to the School Loan Revolving Fund. As of June 30, 2022 the outstanding balance was $40,570,000. Of this amount, 4.5% of these proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The remaining 95.5% allocation of this debt, $38,744,350 is considered capital related debt at June 30, 2022.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

During the year ended June 30, 2021, the District issued bonded debt in the amount of $7,170,000 used to make principal and interest payments related to the School Loan Revolving Fund. As of June 30, 2022 the outstanding balance was $7,170,000. Of this amount, 0.5% of these proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The remaining 99.5% allocation of this debt, $7,133,433 is considered capital related debt at June 30, 2022.

*Fund Balance Flow Assumptions*

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

*Fund Balance Policies*

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

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

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

*Leases*

Lessee: The District is a lessee for a noncancelable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Leases (continued)*

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

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Revenues and Expenditures/Expenses

*Program Revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property Taxes*

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenues and Expenditures/Expenses (continued)

*Property Taxes (continued)*

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

| Fund | Mills |
|---|---|
| General fund | |
| Non-Principal Residence Exemption (PRE) | 18.0000 |
| Commercial Personal Property | 6.0000 |
| Debt service fund | |
| PRE, Non-PRE, Commercial Personal Property | 12.0000 |

*Compensated Absences and Termination Benefits*

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignation or retirement. The liability for compensated absences includes salary and related benefits, where applicable.

*Long-term Obligations*

In the government-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 using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, $5,743,441 of the District's bank balance of $6,695,226 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $6,278,207.

## NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business.

Interest Rate Risk

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

| Investment Type | Fair Value | Weighted Average Maturity (years) |
|---|---|---|
| MILAF External Investment pool - MAX | $ 362,147 | N/A |
| Michigan Class Investment Pool | 3,040,889 | 0.0986 |
| Total fair value | $ 3,403,036 | |
| Portfolio weighted average maturity | | 0.0986 |

One day maturity equals 0.0027, one year equals 1.00.

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

| Investment Type | Fair Value | Rating | Rating Agency |
|---|---|---|---|
| MILAF External Investment pool - MAX | $ 362,147 | AAAm | Standard & Poor's |
| Michigan Class Investment Pool | 3,040,889 | AAAm | Standard & Poor's |
| | $ 3,403,036 | | |

Foreign Currency Risk.

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

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

## NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

| | Amortized Cost |
|---|---|
| MILAF External Investment pool - MAX | $ 362,147 |

Investments in Entities that Calculate Net Asset Value Per Share

The District holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statues and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At the year ended June 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

| Investment Type | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible | Redemption Notice Period |
|---|---|---|---|---|
| Michigan Class Investment Pool | $ 3,040,889 | $ - | No restrictions | None |

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

The carrying amount of deposits and investments are as follows:

| | |
|---|---|
| Deposits | $ 6,278,207 |
| Investments | 3,403,036 |
| | $ 9,681,243 |

The above amounts are reported in the financial statements as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 5,964,895 |
| Cash and cash equivalents - restricted | 779,949 |
| Investments | 2,936,399 |
| | $ 9,681,243 |

## NOTE 3 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

| | As restated Balance July 1, 2021 | Additions/ Reclassifications | Deletions/ Reclassifications | Balance June 30, 2022 |
|---|---|---|---|---|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | $ 2,959,441 | $ - | $ - | $ 2,959,441 |
| Construction in progress | 285,511 | 316,494 | 285,511 | 316,494 |
| Total capital assets not being depreciated | 3,244,952 | 316,494 | 285,511 | 3,275,935 |
| Capital assets, being depreciated/amortized | | | | |
| Land improvements | 5,259,333 | 32,842 | - | 5,292,175 |
| Buildings and improvements | 104,823,666 | 241,878 | - | 105,065,544 |
| Furniture and equipment | 7,583,396 | 520,575 | 6,635 | 8,097,336 |
| Right to use - leased equipment | 464,132 | - | - | 464,132 |
| Transportation equipment | 3,045,074 | - | 196,862 | 2,848,212 |
| Total capital assets, being depreciated | 121,175,601 | 795,295 | 203,497 | 121,767,399 |
| Accumulated depreciation/amortization | | | | |
| Land improvements | 4,120,719 | 146,164 | - | 4,266,883 |
| Buildings and improvements | 26,428,840 | 2,179,220 | - | 28,608,060 |
| Furniture and equipment | 6,796,421 | 183,261 | 5,307 | 6,974,375 |
| Right to use - leased equipment | - | 109,208 | - | 109,208 |
| Transportation equipment | 1,786,412 | 259,984 | 196,862 | 1,849,534 |
| Total accumulated depreciation/amortization | 39,132,392 | 2,877,837 | 202,169 | 41,808,060 |
| Net capital assets being depreciated/amortized | 82,043,209 | (2,082,542) | 1,328 | 79,959,339 |
| Net governmental capital assets | $ 85,288,161 | $ (1,766,048) | $ 286,839 | $ 83,235,274 |

Depreciation/amortization expense for the fiscal year ended June 30, 2022 amounted to $2,877,837 and was unallocated.

## NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2022 consist of the following:

| | Governmental Funds |
|---|---|
| Other governmental units | |
| State aid | $ 4,410,813 |
| Federal revenue | 382,741 |
| | $ 4,793,554 |

Amounts reported in intergovernmental receivables include amounts due from federal, state, and local sources for various projects and programs. No allowance for doubtful accounts is considered necessary.

## NOTE 5 - LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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

| | General Obligation Bonds | Notes from Direct Borrowings and Direct Placements | Accumulated Compensated Absences and Termination Benefits | Total |
|---|---|---|---|---|
| Balance, July 1, 2021, as restated | $ 123,974,833 | $ 465,132 | $ 387,854 | $ 124,827,819 |
| Additions | - | 9,822,427 | 5,020 | 9,827,447 |
| Deletions | (14,650,008) | (98,216) | (17,767) | (14,765,991) |
| Balance, June 30, 2022 | 109,324,825 | 10,189,343 | 375,107 | 119,889,275 |
| Due in one year | 15,070,000 | - | 8,087 | 15,078,087 |
| Due in more than year | $ 94,254,825 | $ 10,189,343 | $ 367,020 | $ 104,811,188 |

Borrowing from the State of Michigan - The school loan revolving fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates of 1.19% for the School Loan Revolving Fund notes have been assessed for the year ended June 30, 2022. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 12.00 mills. The school district is required to levy 12.00 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 12.00 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule. The State may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

Long-term obligations at June 30, 2022 are comprised of the following issues:

| | |
|---|---|
| General Obligation Bonds | |
| 2015 Series A refunding bonds due in annual installments of $1,280,000 to $1,540,000 through May 1, 2025 with interest at 4.00%. | $ 4,305,000 |
| 2016 Refunding bonds due in annual and semiannual installments ranging from $100,000 to $10,300,000 through May 1, 2037 with interest from 4.00% to 5.00%. | 24,600,000 |
| 2017 Bonds due in semiannual installments ranging from $210,000 to $575,000 through May 1, 2047 with interest from 3.00% to 4.00%. | 17,925,000 |
| 2020 Bonds due in annual and semiannual installments ranging from $100,000 to $680,000 through May 1, 2047 with interest from 2.00% to 5.00%. | 7,205,000 |
| 2020 Refunding bonds due in semiannual installments ranging from $875,000 to $4,800,000 beginning on November 1, 2023 through May 1, 2033 with interest from 1.65% to 4.00%. | 40,570,000 |
| 2021 Refunding bonds due in annual installments ranging from $570,000 to $990,000 beginning on May 1, 2024 through May 1, 2032 with interest from 1.80% to 4.00%. | 7,170,000 |
| Plus premium on bond refunding | 7,549,825 |
| Total general obligation bonds | 109,324,825 |
| Notes from Direct Borrowings and Direct Placements | |
| Borrowing from the State of Michigan under the School Loan Revolving Fund, including interest at 1.19% at June 30, 2021. | 9,823,427 |
| Copier lease payable due in monthly installments of $9,250 with interest at 4% through September 16, 2025. | 365,916 |
| Total direct borrowings and direct placements | 10,189,343 |
| Total general obligation bonds and direct borrowings and direct placements | 119,514,168 |
| Accumulated compensated absences and termination benefits | 375,107 |
| Total long-term debt obligations | $ 119,889,275 |

## NOTE 5 - LONG-TERM OBLIGATIONS (continued)

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2022, $48,375,000 bonds outstanding are considered defeased.

The annual requirements to amortize debt outstanding as of June 30, 2022:

| Year Ending June 30, | General Obligation Bonds Principal | General Obligation Bonds Interest | Direct Borrowing and Direct Placement Principal | Direct Borrowing and Direct Placement Interest | Compensated Absences and Termination Benefits | Total |
|---|---|---|---|---|---|---|
| 2023 | $ 15,070,000 | $ 3,397,257 | $ 105,656 | $ 12,766 | $ - | $ 18,585,679 |
| 2024 | 6,250,000 | 2,677,557 | 114,496 | 8,379 | - | 9,050,432 |
| 2025 | 6,480,000 | 2,420,732 | 123,866 | 3,629 | - | 9,028,227 |
| 2026 | 6,725,000 | 2,145,032 | 21,898 | 121 | - | 8,892,051 |
| 2027 | 6,995,000 | 1,847,557 | - | - | - | 8,842,557 |
| 2028 - 2032 | 37,595,000 | 5,758,966 | - | - | - | 43,353,966 |
| 2033 - 2037 | 10,560,000 | 2,419,600 | - | - | - | 12,979,600 |
| 2038 - 2042 | 5,590,000 | 1,530,138 | - | - | - | 7,120,138 |
| 2043 - 2047 | 6,510,000 | 567,947 | - | - | - | 7,077,947 |
| | 101,775,000 | 22,764,786 | 365,916 | 24,895 | - | 124,930,597 |
| Premium on bonds | 7,549,825 | - | - | - | - | 7,549,825 |
| School loan revolving fund | - | - | 9,823,427 | - | - | 9,823,427 |
| Accumulated compensated absences and termination benefits | - | - | - | - | 375,107 | 375,107 |
| | $ 109,324,825 | $ 22,764,786 | $ 10,189,343 | $ 24,895 | $ 375,107 | $ 142,678,956 |

Interest expense (all funds) for the year ended June 30, 2022 was approximately $4,000,000.

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $10,189,343 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

## NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2022 are as follows:

| Receivable Fund | | Payable Fund | |
|---|---|---|---|
| Food service fund | $ 38,814 | General fund | $ 426,902 |
| Capital projects fund | 394,090 | Student activities fund | 1,839 |
| | | 2020 building and site bonds capital projects fund | 4,163 |
| | $ 432,904 | | $ 432,904 |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (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. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

- Basic plan members: 4% contribution

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

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

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

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

## NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Employer Contributions (continued)

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

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

| | Pension | Other Postemployment Benefit |
|---|---|---|
| October 1, 2020 - September 30, 2021 | 13.39% - 19.78% | 7.57% - 8.43% |
| October 1, 2021 - September 30, 2022 | 13.73% - 20.14% | 7.23% - 8.09% |

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately $5,586,000. Of the total pension contributions approximately $5,387,000 was contributed to fund the Defined Benefit Plan and approximately $199,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately $1,413,000. Of the total OPEB contributions approximately $1,286,000 was contributed to fund the Defined Benefit Plan and approximately $127,000 was contributed to fund the Defined Contribution Plan.

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

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*Pension Liabilities*

The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| *MPSERS (Plan)* Non-University Employers | September 30, 2021 | September 30, 2020 |
|---|---|---|
| Total pension liability | $ 86,392,473,395 | $ 85,290,583,799 |
| Plan fiduciary net position | 62,717,060,920 | 50,939,496,006 |
| Net pension liability | 23,675,412,475 | 34,351,087,793 |
| Proportionate share | 0.16499% | 0.16412% |
| Net pension liability for the District | 39,061,025 | 56,377,404 |

*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 $5,013,800.

At June 30, 2022, the Reporting Unit 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 |
|---|---|---|
| Changes of assumptions | $ 2,462,267 | $ - |
| Net difference between projected and actual plan investments earnings | - | 12,557,994 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,668,511 | 241,487 |
| Differences between expected and actual experience | 605,072 | 230,023 |
| Reporting Unit's contributions subsequent to the measurement date | 5,024,745 | - |
| | $ 9,760,595 | $ 13,029,504 |

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

$5,024,745, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

| Year Ended September 30, | Amount |
|---|---|
| 2022 | $ (478,157) |
| 2023 | (1,626,765) |
| 2024 | (2,807,443) |
| 2025 | (3,381,289) |

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

*OPEB Liabilities*

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

| *MPSERS (Plan)* Non-University Employers | September 30, 2021 | September 30, 2020 |
|---|---|---|
| Total OPEB liability | $ 12,046,393,511 | $ 13,206,903,534 |
| Plan fiduciary net position | 10,520,015,621 | 7,849,636,555 |
| Net OPEB liability | 1,526,377,890 | 5,357,266,979 |
| Proportionate share | 0.16419% | 0.16688% |
| Net OPEB liability for the District | 2,506,144 | 8,940,275 |

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*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 benefit of $1,160,966.

At June 30, 2022, the Reporting Unit 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 |
|---|---|---|
| Changes of assumptions | $ 2,095,012 | $ 313,492 |
| Net difference between projected and actual plan investments earnings | - | 1,888,925 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 712,206 | 321,646 |
| Differences between expected and actual experience | - | 7,153,608 |
| Reporting Unit's contributions subsequent to the measurement date | 1,135,949 | - |
| | $ 3,943,167 | $ 9,677,671 |

$1,135,949, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

| Year Ended September 30, | Amount |
|---|---|
| 2022 | $ (1,763,582) |
| 2023 | (1,583,130) |
| 2024 | (1,450,557) |
| 2025 | (1,449,712) |
| 2026 | (551,163) |
| 2027 | (72,309) |

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions

**Investment Rate of Return for Pension -** 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

**Investment Rate of Return for OPEB -** 6.95% a year, compounded annually net of investment and administrative expenses.

**Salary Increases -** The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

**Inflation -** 3.0%.

**Mortality Assumptions:**

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

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

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

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

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

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

**Healthcare Cost Trend Rate for Other Postemployment Benefit** – Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**Additional Assumptions for Other Postemployment Benefit Only -** Applies to Individuals Hired Before September 4, 2012:

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

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

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

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

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

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

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

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

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

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

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

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

| | Pension | | |
|---|---|---|---|
| | 1% Decrease | Discount Rate | 1% Increase |
| Reporting Unit's proportionate share of the net pension liability | $ 55,846,674 | $ 39,061,025 | $ 25,144,623 |

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

| | Other Postemployment Benefits | | |
|---|---|---|---|
| | 1% Decrease | Discount rate | 1% Increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability | $ 4,656,867 | $ 2,506,144 | $ 680,947 |

**Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Other Postemployment Benefits | | |
|---|---|---|---|
| | 1% Trend Decrease | Current Healthcare Cost Trend Rates | 1% Trend Increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability | $ 609,975 | $ 2,506,144 | $ 4,639,561 |

## NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

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

**Payable to the Pension and OPEB Plan** - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

## NOTE 8 - RISK MANAGEMENT

The District is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases commercial insurance to cover any losses that may result from the above-described activities. No settlements have occurred in excess of coverage for the year ended June 30, 2022.

The District also participates in a pool, the SET-SEG Self-Insured Workers' Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The District has no liability for additional assessments based on claims filed against the pool nor do they have any rights to dividends.

## NOTE 9 - TRANSFERS

The food service fund transferred $65,000 to the general fund. The funds were transferred to cover the indirect costs related to the food service fund. The general fund transferred $1,595,000 to the capital projects fund. The funds were transferred for future capital projects and curriculum expenditures.

## NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

## NOTE 11 - TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds by municipality under these programs are as follows:

| Municipality | Taxes Abated |
|---|---|
| Allendale Charter Township | $ 36,515 |

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's Section 22 funding of the State School Aid Act.

There are no abatements made by the District.

## NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

## NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

## NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE (continued)

The restatement of the beginning of year had no impact on net position. The change capital assets and long-term obligations is as follows:

| | Capital Asset | Long-term Obligations |
|---|---|---|
| Balances as of July 1, 2021, as previously stated | $ 84,824,029 | $ 1,000 |
| Adoption of GASB 87 | 464,132 | 464,132 |
| Balances as of July 1, 2021, as restated | $ 85,288,161 | $ 465,132 |

# REQUIRED SUPPLEMENTARY INFORMATION

**ALLENDALE PUBLIC SCHOOLS**
**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**YEAR ENDED JUNE 30, 2022**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| REVENUES | | | | |
| Local sources | $ 4,810,722 | $ 4,979,819 | $ 5,059,439 | $ 79,620 |
| State sources | 23,400,226 | 24,421,380 | 24,529,735 | 108,355 |
| Federal sources | 1,537,799 | 3,002,752 | 2,786,236 | (216,516) |
| Interdistrict sources and other | 3,017,500 | 3,367,321 | 3,294,587 | (72,734) |
| TOTAL REVENUES | 32,766,247 | 35,771,272 | 35,669,997 | (101,275) |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | | | | |
| Basic programs | 16,773,134 | 17,020,364 | 16,870,317 | 150,047 |
| Added needs | 2,841,966 | 2,697,020 | 2,698,543 | (1,523) |
| Total instruction | 19,615,100 | 19,717,384 | 19,568,860 | 148,524 |
| Supporting services | | | | |
| Pupil | 2,533,031 | 2,431,777 | 2,437,183 | (5,406) |
| Instructional staff | 888,067 | 1,015,847 | 973,953 | 41,894 |
| General administration | 785,100 | 766,025 | 747,928 | 18,097 |
| School administration | 2,040,851 | 1,965,447 | 1,949,212 | 16,235 |
| Business | 383,689 | 371,022 | 359,553 | 11,469 |
| Operation/maintenance | 3,011,342 | 3,702,872 | 3,673,181 | 29,691 |
| Pupil transportation | 1,724,467 | 1,769,993 | 1,753,024 | 16,969 |
| Central | 438,454 | 492,644 | 481,858 | 10,786 |
| Athletics | 689,183 | 744,630 | 748,740 | (4,110) |
| Total supporting services | 12,494,184 | 13,260,257 | 13,124,632 | 135,625 |
| Community services | 579,127 | 667,495 | 669,435 | (1,940) |
| Debt service | - | 114,550 | 114,652 | (102) |
| TOTAL EXPENDITURES | 32,688,411 | 33,759,686 | 33,477,579 | 282,107 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 77,836 | 2,011,586 | 2,192,418 | 180,832 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | - | - | 8,546 | 8,546 |
| Transfers in | - | - | 65,000 | 65,000 |
| Transfers out | (1,831) | (1,340,000) | (1,595,000) | (255,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,831) | (1,340,000) | (1,521,454) | (181,454) |
| NET CHANGE IN FUND BALANCE | $ 76,005 | $ 671,586 | 670,964 | $ (622) |
| FUND BALANCE | | | | |
| Beginning of year | | | 3,540,528 | |
| End of year | | | $ 4,211,492 | |

## ALLENDALE PUBLIC SCHOOLS
## REQUIRED SUPPLEMENTARY INFORMATION
## SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
## MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
## LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|
| Reporting Unit's proportion of net pension liability (%) | 0.16499% | 0.16412% | 0.15713% | 0.15243% | 0.15425% | 0.15307% | 0.14807% | 0.14331% |
| Reporting Unit's proportionate share of net pension liability | $ 39,061,025 | $ 56,377,404 | $ 52,035,342 | $ 45,824,205 | $ 39,972,681 | $ 38,189,278 | $ 36,166,670 | $ 31,565,164 |
| Reporting Unit's covered-employee payroll | $ 14,924,949 | $ 14,855,182 | $ 14,191,498 | $ 12,928,533 | $ 12,914,495 | $ 13,171,498 | $ 12,436,932 | $ 12,058,395 |
| Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll | 261.72% | 379.51% | 366.67% | 352.81% | 309.52% | 289.94% | 290.80% | 261.77% |
| Plan fiduciary net position as a percentage of total pension liability (Non-university employers) | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% | 63.17% | 66.20% |

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**ALLENDALE PUBLIC SCHOOLS**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS**
**MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN**
**LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Statutorily required contributions | $ 5,387,494 | $ 4,832,649 | $ 4,456,897 | $ 4,090,647 | $ 4,028,037 | $ 3,619,689 | $ 3,290,936 | $ 2,633,774 |
| Contributions in relation to statutorily required contributions | 5,387,494 | 4,832,649 | 4,456,897 | 4,090,647 | 4,028,037 | 3,619,689 | 3,290,936 | 2,633,774 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Reporting Unit's covered-employee payroll | $ 15,719,699 | $ 14,565,238 | $ 14,953,018 | $ 13,851,589 | $ 12,834,521 | $ 12,937,427 | $ 12,578,027 | $ 12,228,987 |
| Contributions as a percentage of covered-employee payroll | 34.27% | 33.18% | 29.81% | 29.53% | 31.38% | 27.98% | 26.16% | 21.54% |

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**ALLENDALE PUBLIC SCHOOLS**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**
**MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN**
**LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Reporting Unit's proportion of net OPEB liability (%) | 0.16419% | 0.16688% | 0.16215% | 0.15183% | 0.15473% |
| Reporting unit's proportionate share of net OPEB liability | $ 2,506,144 | $ 8,940,275 | $ 11,638,846 | $ 12,069,060 | $ 13,702,435 |
| Reporting unit's covered-employee payroll | $ 14,924,949 | $ 14,855,182 | $ 14,191,498 | $ 12,928,533 | $ 12,914,495 |
| Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll | 16.79% | 60.18% | 82.01% | 93.35% | 106.10% |
| Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers) | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**ALLENDALE PUBLIC SCHOOLS**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS**
**MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN**
**LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Statutorily required contributions | $ 1,285,702 | $ 1,259,954 | $ 1,260,884 | $ 1,151,545 | $ 1,133,496 |
| Contributions in relation to statutorily required contributions | 1,285,702 | 1,259,954 | 1,260,884 | 1,151,545 | 1,133,496 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Reporting Unit's covered-employee payroll | $ 15,719,699 | $ 14,565,238 | $ 14,953,018 | $ 13,851,589 | $ 12,834,521 |
| Contributions as a percentage of covered-employee payroll | 8.18% | 8.65% | 8.43% | 8.31% | 8.83% |

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**ALLENDALE PUBLIC SCHOOLS**
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**
**YEAR ENDED JUNE 30, 2022**

## NOTE1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - there were no changes of assumptions in 2021.

## NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - the assumption changes for 2021 were:

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

# ADDITIONAL SUPPLEMENTARY INFORMATION

**ALLENDALE PUBLIC SCHOOLS**
**COMBINING BALANCE SHEET**
**NONMAJOR GOVERNMENTAL FUND TYPES**
**JUNE 30, 2022**

| | Special Revenue | | | |
|---|---|---|---|---|
| | Food Service | Student/ School Activities | Debt Service | Total Nonmajor Funds |
| ASSETS | | | | |
| Cash and cash equivalents | $ 714,732 | $ 394,261 | $ 142,103 | $ 1,251,096 |
| Intergovernmental receivable | 51,263 | - | - | 51,263 |
| Due from other funds | 38,814 | - | - | 38,814 |
| Inventories | 13,431 | - | - | 13,431 |
| Prepaids | 39,000 | | - | 39,000 |
| TOTAL ASSETS | $ 857,240 | $ 394,261 | $ 142,103 | $ 1,393,604 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | $ 12,079 | $ 43,131 | $ 1,150 | $ 56,360 |
| Accrued salaries and related payable | 1,516 | - | - | 1,516 |
| Accrued retirement | 9,077 | - | - | 9,077 |
| Due to other funds | - | 1,839 | - | 1,839 |
| Unearned revenue | 31,743 | - | - | 31,743 |
| TOTAL LIABILITIES | 54,415 | 44,970 | 1,150 | 100,535 |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| Inventories | 13,431 | - | - | 13,431 |
| Prepaids | 39,000 | - | - | 39,000 |
| Restricted for: | | | | |
| Debt service | - | - | 140,953 | 140,953 |
| Food service | 750,394 | - | - | 750,394 |
| Committed for student/school activities | - | 349,291 | - | 349,291 |
| TOTAL FUND BALANCES | 802,825 | 349,291 | 140,953 | 1,293,069 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 857,240 | $ 394,261 | $ 142,103 | $ 1,393,604 |

**ALLENDALE PUBLIC SCHOOLS**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**
**AND CHANGES IN FUND BALANCE**
**NONMAJOR GOVERNMENTAL FUND TYPES**
**YEAR ENDED JUNE 30, 2022**

| | Special Revenue | | | |
|---|---|---|---|---|
| | Food Service | Student/ School Activities | Debt Service | Total Nonmajor Funds |
| REVENUES | | | | |
| Local sources | | | | |
| Property taxes | $ - | $ - | $ 3,604,541 | $ 3,604,541 |
| Investment earnings | 283 | - | 2,103 | 2,386 |
| Food sales | 70,472 | - | - | 70,472 |
| Student/school activities | - | 623,841 | - | 623,841 |
| Total local sources | 70,755 | 623,841 | 3,606,644 | 4,301,240 |
| State sources | 119,948 | | 42,739 | 162,687 |
| Federal sources | 1,543,123 | | - | 1,543,123 |
| TOTAL REVENUES | 1,733,826 | 623,841 | 3,649,383 | 6,007,050 |
| EXPENDITURES | | | | |
| Current | | | | |
| Student/school activities | - | 546,468 | - | 546,468 |
| Salaries | 364,005 | - | - | 364,005 |
| Benefits | 192,298 | - | - | 192,298 |
| Purchased services | 30,542 | - | - | 30,542 |
| Supplies and materials | 560,422 | - | - | 560,422 |
| Capital outlay | 26,397 | - | - | 26,397 |
| Outgoing transfers and other transactions | 9,021 | - | - | 9,021 |
| Debt service | | | | |
| Principal repayment | - | - | 1,850,000 | 1,850,000 |
| Interest expense | - | - | 2,301,948 | 2,301,948 |
| Other expense | - | - | 3,734 | 3,734 |
| TOTAL EXPENDITURES | 1,182,685 | 546,468 | 4,155,682 | 5,884,835 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 551,141 | 77,373 | (506,299) | 122,215 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from school loan revolving fund | - | - | 452,000 | 452,000 |
| Transfers out | (65,000) | - | - | (65,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | (65,000) | - | 452,000 | 387,000 |
| NET CHANGE IN FUND BALANCES | 486,141 | 77,373 | (54,299) | 509,215 |
| FUND BALANCES | | | | |
| Beginning of year | 316,684 | 271,918 | 195,252 | 783,854 |
| End of year | $ 802,825 | $ 349,291 | $ 140,953 | $ 1,293,069 |

# ALLENDALE PUBLIC SCHOOLS
# DEBT SERVICE FUNDS
# COMBINING BALANCE SHEET
# JUNE 30, 2022

| | 2015 (A) Refunding | 2017 | 2020 Refunding | 2020 | 2021 Refunding | Total Nonmajor |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | $ 19,831 | $ 91,604 | $ 2,158 | $ 22,762 | $ 5,748 | $ 142,103 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | 366 | 428 | 213 | 106 | 37 | 1,150 |
| FUND BALANCES | | | | | | |
| Restricted for debt service | 19,465 | 91,176 | 1,945 | 22,656 | 5,711 | 140,953 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 19,831 | $ 91,604 | $ 2,158 | $ 22,762 | $ 5,748 | $ 142,103 |

# ALLENDALE PUBLIC SCHOOLS
## DEBT SERVICE FUNDS
## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## YEAR ENDED JUNE 30, 2022

| | 2015 (A) Refunding | 2017 | 2020 Refunding | 2020 | 2021 Refunding | Total Nonmajor Funds |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Local sources | | | | | | |
| Property taxes | $ 1,136,022 | $ 1,349,493 | $ 669,862 | $ 335,201 | $ 113,963 | $ 3,604,541 |
| Interest | 378 | 436 | 783 | 373 | 133 | 2,103 |
| Total local revenues | 1,136,400 | 1,349,929 | 670,645 | 335,574 | 114,096 | 3,606,644 |
| State sources | 25,436 | - | 14,789 | - | 2,514 | 42,739 |
| TOTAL REVENUES | 1,161,836 | 1,349,929 | 685,434 | 335,574 | 116,610 | 3,649,383 |
| EXPENDITURES | | | | | | |
| Principal repayments | 995,000 | 740,000 | - | 115,000 | - | 1,850,000 |
| Interest expense | 187,125 | 631,169 | 1,057,573 | 233,131 | 192,950 | 2,301,948 |
| Other | 1,212 | 829 | 413 | 708 | 572 | 3,734 |
| TOTAL EXPENDITURES | 1,183,337 | 1,371,998 | 1,057,986 | 348,839 | 193,522 | 4,155,682 |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | (21,501) | (22,069) | (372,552) | (13,265) | (76,912) | (506,299) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from school loan revolving fund | - | - | 372,000 | - | 80,000 | 452,000 |
| NET CHANGE IN FUND BALANCES | (21,501) | (22,069) | (552) | (13,265) | 3,088 | (54,299) |
| FUND BALANCES | | | | | | |
| Beginning of year | 40,966 | 113,245 | 2,497 | 35,921 | 2,623 | 195,252 |
| End of year | $ 19,465 | $ 91,176 | $ 1,945 | $ 22,656 | $ 5,711 | $ 140,953 |

**ALLENDALE PUBLIC SCHOOLS**
**BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS**
**JUNE 30, 2022**

2015 Series A Refunding Bonds

| Fiscal Year | Interest Rate | Principal Due May 1 November 1 | Interest Due May 1 | Interest Due November 1 | Total Due Annually |
|---|---|---|---|---|---|
| 2023 | 4.00% | $ 1,280,000 | $ 60,500 | $ 86,100 | $ 1,426,600 |
| 2024 | 4.00% | 1,540,000 | 29,700 | 60,500 | 1,630,200 |
| 2025 | 4.00% | 1,485,000 | - | 29,700 | 1,514,700 |
| Total 2015 Series A bonded debt | | $ 4,305,000 | $ 90,200 | $ 176,300 | $ 4,571,500 |

The above bonds dated August 13, 2015 were issued for the purpose of refunding portions of the School District's outstanding 2005 School building and site bonds.

## ALLENDALE PUBLIC SCHOOLS
## BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
## JUNE 30, 2022

2016 Refunding Bonds

| Fiscal Year | Interest Rate May 1 | Interest Rate November 1 | Principal Due May 1 | Principal Due November 1 | Interest Due May 1 | Interest Due November 1 | Total Due Annually |
|---|---|---|---|---|---|---|---|
| 2023 | 5.00% | 5.00% | $ 10,300,000 | $ 2,550,000 | $ 539,500 | $ 603,250 | $ 13,992,750 |
| 2024 | | 4.00% | - | 600,000 | 270,000 | 282,000 | 1,152,000 |
| 2025 | | 4.00% | - | 400,000 | 262,000 | 270,000 | 932,000 |
| 2026 | | 5.00% | - | 2,200,000 | 207,000 | 262,000 | 2,669,000 |
| 2027 | | 5.00% | - | 2,300,000 | 149,500 | 207,000 | 2,656,500 |
| 2028 | | 5.00% | - | 2,400,000 | 89,500 | 149,500 | 2,639,000 |
| 2029 | | 5.00% | - | 2,500,000 | 27,000 | 89,500 | 2,616,500 |
| 2030 | | 4.00% | - | 650,000 | 14,000 | 27,000 | 691,000 |
| 2031 | | 4.00% | - | 100,000 | 12,000 | 14,000 | 126,000 |
| 2032 | | 4.00% | - | 100,000 | 10,000 | 12,000 | 122,000 |
| 2033 | | 4.00% | - | 100,000 | 8,000 | 10,000 | 118,000 |
| 2034 | | 4.00% | - | 100,000 | 6,000 | 8,000 | 114,000 |
| 2035 | | 4.00% | - | 100,000 | 4,000 | 6,000 | 110,000 |
| 2036 | | 4.00% | - | 100,000 | 2,000 | 4,000 | 106,000 |
| 2037 | 4.00% | | 100,000 | - | 2,000 | 2,000 | 104,000 |
| Total 2016 bonded debt | | | $ 10,400,000 | $ 14,200,000 | $ 1,602,500 | $ 1,946,250 | $ 28,148,750 |

The above bonds dated February 3, 2016 were issued for the purpose of refunding portions of the School District's outstanding 2006 Refunding bonds and portions of the School District's outstanding 2007 Series A school building and site bonds.

# ALLENDALE PUBLIC SCHOOLS
## BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
## JUNE 30, 2022

2017 Building and site bonds

| | Interest Rate | | Principal Due | | Interest Due | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | May 1 | November 1 | May 1 | November 1 | May 1 | November 1 | Total Due Annually |
| 2023 | 4.00% | 4.00% | $ 250,000 | $ 320,000 | $ 298,335 | $ 304,734 | $ 1,173,069 |
| 2024 | 4.00% | 4.00% | 210,000 | 320,000 | 286,935 | 293,334 | 1,110,269 |
| 2025 | 4.00% | 4.00% | 220,000 | 320,000 | 276,335 | 282,734 | 1,099,069 |
| 2026 | 4.00% | 4.00% | 235,000 | 320,000 | 265,535 | 271,934 | 1,092,469 |
| 2027 | 4.00% | 4.00% | 255,000 | 320,000 | 254,435 | 260,834 | 1,090,269 |
| 2028 | 4.00% | 4.00% | 275,000 | 320,000 | 242,934 | 249,334 | 1,087,268 |
| 2029 | 3.00% | 3.00% | 295,000 | 320,000 | 231,034 | 237,434 | 1,083,468 |
| 2030 | 3.00% | 3.00% | 300,000 | 335,000 | 221,584 | 226,609 | 1,083,193 |
| 2031 | 3.00% | 3.00% | 320,000 | 335,000 | 212,059 | 217,084 | 1,084,143 |
| 2032 | 3.00% | 3.00% | 335,000 | 340,000 | 202,159 | 207,259 | 1,084,418 |
| 2033 | 3.00% | 3.00% | 340,000 | 355,000 | 191,809 | 197,134 | 1,083,943 |
| 2034 | 3.00% | 3.00% | 360,000 | 355,000 | 181,384 | 186,709 | 1,083,093 |
| 2035 | 3.13% | 3.13% | 385,000 | 355,000 | 170,659 | 175,984 | 1,086,643 |
| 2036 | 3.13% | 3.13% | 410,000 | 355,000 | 159,097 | 164,644 | 1,088,741 |
| 2037 | 3.25% | 3.25% | 435,000 | 355,000 | 147,144 | 152,691 | 1,089,835 |
| 2038 | 3.25% | 3.25% | 455,000 | 355,000 | 134,306 | 140,075 | 1,084,381 |
| 2039 | 3.25% | 3.25% | 485,000 | 355,000 | 121,144 | 126,913 | 1,088,057 |
| 2040 | 3.25% | 3.25% | 515,000 | 355,000 | 107,494 | 113,263 | 1,090,757 |
| 2041 | 3.38% | 3.38% | 545,000 | 355,000 | 93,356 | 99,125 | 1,092,481 |
| 2042 | 3.38% | 3.38% | 575,000 | 355,000 | 78,169 | 84,159 | 1,092,328 |
| 2043 | 3.50% | 3.50% | 505,000 | 355,000 | 62,475 | 68,466 | 990,941 |
| 2044 | 3.50% | 3.50% | 535,000 | 355,000 | 47,425 | 53,638 | 991,063 |
| 2045 | 3.50% | 3.50% | 550,000 | 355,000 | 31,850 | 38,063 | 974,913 |
| 2046 | 3.50% | 3.50% | 310,000 | 355,000 | 16,013 | 22,225 | 703,238 |
| 2047 | 3.50% | 3.50% | 305,000 | 300,000 | 5,338 | 10,588 | 620,926 |
| Total 2017 bonded debt | | | $ 9,405,000 | $ 8,520,000 | $ 4,039,008 | $ 4,184,967 | $ 26,148,975 |

The above bonds dated June 29, 2017 were issued for school building and site purposes.

## ALLENDALE PUBLIC SCHOOLS
## BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
## JUNE 30, 2022

2020 Building and Site Bonds

| Fiscal Year | Interest Rate May 1 | Interest Rate November 1 | Principal Due May 1 | Principal Due November 1 | Interest Due May 1 | Interest Due November 1 | Total Due Annually |
|---|---|---|---|---|---|---|---|
| 2023 | | 5.00% | $ - | $ 370,000 | $ 105,878 | $ 115,128 | $ 696,884 |
| 2024 | | 5.00% | - | 180,000 | 101,378 | 105,878 | 488,634 |
| 2025 | | 5.00% | - | 185,000 | 96,753 | 101,378 | 479,884 |
| 2026 | | 5.00% | - | 195,000 | 91,878 | 96,753 | 475,509 |
| 2027 | | 5.00% | - | 200,000 | 86,878 | 91,878 | 465,634 |
| 2028 | | 5.00% | - | 205,000 | 81,753 | 86,878 | 455,384 |
| 2029 | | 5.00% | - | 215,000 | 76,378 | 81,753 | 449,509 |
| 2030 | | 5.00% | - | 215,000 | 71,003 | 76,378 | 433,384 |
| 2031 | | 2.00% | - | 220,000 | 65,503 | 71,003 | 422,009 |
| 2032 | | 2.00% | - | 225,000 | 63,253 | 65,503 | 417,009 |
| 2033 | | 2.13% | - | 230,000 | 60,953 | 63,253 | 415,159 |
| 2034 | | 2.13% | - | 235,000 | 58,456 | 60,953 | 412,865 |
| 2035 | | 2.25% | - | 235,000 | 55,959 | 58,456 | 405,374 |
| 2036 | | 2.25% | - | 235,000 | 53,316 | 55,959 | 397,591 |
| 2037 | | 2.38% | - | 235,000 | 50,672 | 53,316 | 389,660 |
| 2038 | | 2.38% | - | 245,000 | 47,763 | 50,672 | 391,198 |
| 2039 | | 2.50% | - | 245,000 | 44,853 | 47,763 | 382,469 |
| 2040 | | 2.50% | - | 245,000 | 41,791 | 44,853 | 373,435 |
| 2041 | | 2.63% | - | 250,000 | 38,666 | 41,791 | 369,123 |
| 2042 | | 2.63% | - | 255,000 | 35,319 | 38,666 | 364,304 |
| 2043 | | 2.75% | - | 360,000 | 30,594 | 35,319 | 456,507 |
| 2044 | | 2.75% | - | 370,000 | 25,506 | 30,594 | 451,606 |
| 2045 | | 2.75% | - | 395,000 | 20,075 | 25,506 | 460,656 |
| 2046 | 2.75% | 2.75% | 100,000 | 580,000 | 12,100 | 20,075 | 724,275 |
| 2047 | 2.75% | 2.75% | 100,000 | 680,000 | 1,375 | 10,725 | 793,475 |
| Total 2020 bonded debt | | | $ 200,000 | $ 7,005,000 | $ 1,418,053 | $ 1,530,431 | $ 11,571,537 |

The above bonds dated June 11, 2020 were issued for school building and site purposes.

**ALLENDALE PUBLIC SCHOOLS**
**BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS**
**JUNE 30, 2022**

2020 Refunding Bonds

| | Interest Rate | | Principal Due | | Interest Due | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | May 1 | November 1 | May 1 | November 1 | May 1 | November 1 | Total Due Annually |
| 2023 | | | $ - | $ - | $ 528,786 | $ 528,786 | $ 1,057,572 |
| 2024 | 4.00% | 4.00% | 1,000,000 | 1,800,000 | 492,786 | 528,786 | 3,821,572 |
| 2025 | 4.00% | 4.00% | 1,000,000 | 2,300,000 | 426,786 | 472,786 | 4,199,572 |
| 2026 | 4.00% | 4.00% | 1,000,000 | 2,155,000 | 363,686 | 406,786 | 3,925,472 |
| 2027 | 1.65% | 4.00% | 1,000,000 | 2,250,000 | 298,686 | 343,686 | 3,892,372 |
| 2028 | 1.90% | 1.70% | 1,000,000 | 2,080,000 | 272,756 | 290,436 | 3,643,192 |
| 2029 | 2.00% | 1.95% | 1,000,000 | 2,150,000 | 242,294 | 263,256 | 3,655,550 |
| 2030 | 2.05% | 2.00% | 1,000,000 | 4,150,000 | 190,794 | 232,294 | 5,573,088 |
| 2031 | 2.15% | 2.15% | 1,000,000 | 4,700,000 | 132,369 | 180,544 | 6,012,913 |
| 2032 | 2.25% | 2.15% | 1,000,000 | 4,800,000 | 70,019 | 121,619 | 5,991,638 |
| 2033 | 2.35% | 2.25% | 875,000 | 4,310,000 | 10,282 | 58,770 | 5,254,052 |
| Total 2020 bonded debt | | | $ 9,875,000 | $ 30,695,000 | $ 3,029,244 | $ 3,427,749 | $ 47,026,993 |

The above bonds dated June 11, 2020 were issued for the purpose of refunding portions of the School District's outstanding School Bond Loan Fund.

# ALLENDALE PUBLIC SCHOOLS
# BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
# JUNE 30, 2022

2021 Refunding Bonds

| | Interest Rate | | Principal Due | Interest Due | | |
|---|---|---|---|---|---|---|
| Fiscal Year | May 1 | November 1 | May 1 | May 1 | November 1 | Total Due Annually |
| 2023 | | | $ - | $ 113,130 | $ 113,130 | $ 226,260 |
| 2024 | 4.00% | | 600,000 | 113,130 | 113,130 | 826,260 |
| 2025 | 4.00% | | 570,000 | 101,130 | 101,130 | 772,260 |
| 2026 | 4.00% | | 620,000 | 89,730 | 89,730 | 799,460 |
| 2027 | 4.00% | | 670,000 | 77,330 | 77,330 | 824,660 |
| 2028 | 4.00% | | 925,000 | 63,930 | 63,930 | 1,052,860 |
| 2029 | 4.00% | | 900,000 | 45,430 | 45,430 | 990,860 |
| 2030 | 1.80% | | 925,000 | 27,430 | 27,430 | 979,860 |
| 2031 | 1.90% | | 990,000 | 19,105 | 19,105 | 1,028,210 |
| 2032 | 2.00% | | 970,000 | 9,700 | 9,700 | 989,400 |
| Total 2021 bonded debt | | | $ 7,170,000 | $ 660,045 | $ 660,045 | $ 8,490,090 |

The above bonds dated June 24, 2021 were issued for the purpose of refunding portions of the School District's outstanding School Bond Loan Fund.

# ALLENDALE PUBLIC SCHOOLS
# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
# FOR THE YEAR ENDED JUNE 30, 2022

| Federal Grantor/Pass-through Grantor/ Program Title | Federal Assistance Listing Number | Pass-through Grantor's Number | Approved Grant Award Amount | Accrued Revenue July 1, 2021 | (Memo only) Prior year Expenditures | Adjustments | Current Year Expenditures | Current Year Cash Receipts | Accrued Revenue June 30, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Department of Agriculture | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | | |
| Non-Cash Assistance (Donated Foods) | | | | | | | | | |
| National School Lunch Program | | | | | | | | | |
| Entitlement | 10.555 | N/A | $ 85,382 | $ - | $ - | $ - | $ 85,382 | $ 85,382 | $ - |
| Total Non-Cash Assistance | | | 85,382 | - | - | - | 85,382 | 85,382 | - |
| Cash Assistance | | | | | | | | | |
| National School Lunch Program | | | | | | | | | |
| COVID-19 After School Snack | 10.555 | 221980 | 2,709 | - | - | - | 2,709 | 2,686 | 23 |
| COVID-19 2021-2022 (Seamless Summer Option) | 10.555 | 221961 | 938,104 | - | - | - | 938,104 | 906,622 | 31,482 |
| COVID-19 Supply Chain Assistance Fund | 10.555 | 220910 | 50,486 | - | - | - | 40,000 | 50,486 | (10,486) |
| COVID-19 CNP Emergency Operations Reimbursements | 10.555 | 211965 | 14,478 | - | - | - | 14,478 | 14,478 | - |
| COVID-19 2020-2021 (Seamless Summer Option) | 10.555 | 211961 | 124,076 | - | - | - | 124,076 | 124,076 | - |
| Total ALN 10.555 | | | 1,215,235 | - | - | - | 1,204,749 | 1,183,730 | 21,019 |
| School Breakfast Program | | | | | | | | | |
| COVID-19 2020-2021 (Seamless Summer Option) | 10.553 | 211971 | 34,411 | - | - | - | 34,411 | 34,411 | - |
| COVID-19 2021-2022 (Seamless Summer Option) | 10.553 | 221971 | 276,763 | - | - | - | 276,763 | 264,165 | 12,598 |
| Total ALN 10.553 | | | 311,174 | - | - | - | 311,174 | 298,576 | 12,598 |
| COVID-19 Special Milk Program | 10.556 | 221940 | 57 | - | - | - | 57 | 54 | 3 |
| | | 211940 | 2 | - | - | - | 2 | 2 | - |
| Total ALN 10.556 | | | 59 | - | - | - | 59 | 56 | 3 |
| COVID-19 - Summer Food Service Program for Children | 10.559 | 210904 | 891,394 | 42,235 | 891,394 | - | - | 42,235 | - |
| COVID-19 - Summer Food Service Program for Children | | 210904 | 21,319 | - | - | - | 21,319 | 21,319 | - |
| COVID-19 - Summer Food Service Program for Children | | 220904 | 1,510 | - | - | - | 1,510 | - | 1,510 |
| Total ALN 10.559 | | | 914,223 | 42,235 | 891,394 | - | 22,829 | 63,554 | 1,510 |
| Total Cash Assistance | | | 2,355,309 | 42,235 | 891,394 | - | 1,453,429 | 1,460,534 | 35,130 |
| Total Child Nutrition Cluster | | | 2,440,691 | 42,235 | 891,394 | - | 1,538,811 | 1,545,916 | 35,130 |
| COVID-19 Child and Adult Care Food Program | 10.558 | 221920 | 1,878 | - | - | - | 1,878 | 1,878 | - |
| COVID-19 Child and Adult Care Food Program | | 211925 | 1,692 | - | - | - | 1,692 | 1,692 | - |
| COVID-19 Child and Adult Care Food Program | | 211920 | 128 | - | - | - | 128 | 128 | - |
| Total ALN 10.558 | | | 3,698 | - | - | - | 3,698 | 3,698 | - |
| Pandemic EBT Local Level Costs | 10.649 | | 614 | - | - | - | 614 | 614 | - |
| Total U.S. Department of Agriculture | | | 2,445,003 | 42,235 | 891,394 | - | 1,543,123 | 1,550,228 | 35,130 |

# ALLENDALE PUBLIC SCHOOLS
# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
# FOR THE YEAR ENDED JUNE 30, 2022

| Federal Grantor/Pass-through Grantor/ Program Title | Federal Assistance Listing Number | Pass-through Grantor's Number | Approved Grant Award Amount | Accrued Revenue July 1, 2021 | (Memo only) Prior year Expenditures | Adjustments | Current Year Expenditures | Current Year Cash Receipts | Accrued Revenue June 30, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Department of Education | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 211530-2021 | $ 153,581 | $ 10,636 | $ 151,489 | $ - | $ - | $ 10,636 | $ - |
| Title I Grants to Local Educational Agencies | | 221530-2122 | 144,431 | - | - | - | 142,736 | 119,716 | 23,020 |
| Total ALN 84.010 | | | 298,012 | 10,636 | 151,489 | - | 142,736 | 130,352.00 | 23,020 |
| Title IIA, Supporting Effective Instruction State Grants | 84.367 | 220520-2122 | 60,843 | - | - | - | 60,843 | 60,843 | - |
| Title IV, Student Support and Academic Achievement | 84.424 | 220750-2122 | 10,474 | - | - | - | 10,474 | 10,474 | - |
| Education Stabilization Fund | | | | | | | | | |
| COVID-19 Governor's Emergency Education Relief Funds (GEER II) | 84.425C | 211222 | 21,913 | - | - | 21,913 | - | 21,913 | - |
| COVID-19 Governor's Emergency Education Relief Funds (GEER II) | | 211202 | 35,250 | - | - | - | 35,250 | 35,250 | - |
| Total ALN 84.425C | | | 57,163 | - | - | 21,913 | 35,250 | 57,163 | - |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II) | 84.425D | 213752 | 10,000 | - | - | 8,043 | 1,957 | 10,000 | - |
| | | 213742 | 74,250 | - | - | 18,057 | 26,021 | 34,132 | 9,946 |
| | | 213722 | 924,000 | - | - | 259,360 | 542,817 | 695,667 | 106,510 |
| | | 213712 | 452,522 | - | - | - | 207,196 | 191,685 | 15,511 |
| Total ALN 84.425D | | | 1,460,772 | - | - | 285,460 | 777,991 | 931,484 | 131,967 |
| COVID-19 Emergency Relief Fund (ESSER III) | 84.425U | 213723 | 1,947,698 | - | - | - | 44,372 | - | 44,372 |
| | | 213713 | 1,017,021 | - | - | - | 205,621 | 164,470 | 41,151 |
| Total ALN 84.425U | | | 2,964,719 | - | - | - | 249,993 | 164,470 | 85,523 |
| Total ALN 84.425 and Education Stablization Fund | | | 4,482,654 | - | - | 307,373 | 1,063,234 | 1,153,117 | 217,490 |
| Title III Immigrant | 84.365 | 210570-2021 | 2,238 | 490 | 1,802 | - | - | 490 | - |
| Passed through Kent ISD | | | | | | | | | |
| Title III English Language Acquisition | 84.365 | 220580-2122 | 19,947 | - | - | - | 1,995 | 727 | 1,268 |
| | | 210580-2021 | 17,129 | 2,929 | 5,597 | - | 1,804 | 4,733 | - |
| Total ALN 84.365 | | | 39,314 | 3,419 | 7,399 | - | 3,799 | 5,950 | 1,268 |
| Passed through Ottawa Area Intermediate School District | | | | | | | | | |
| Special Education Cluster | | | | | | | | | |
| Special Education Grants to States | 84.027 | 220450-2122 | 573,404 | - | - | - | 573,404 | 473,884 | 99,520 |
| | 84.027 | 210450-2021 | 513,634 | 93,911 | 513,017 | - | 617 | 94,528 | - |
| COVID-19 Special Education Grants to States 21/22 ARP | 84.027X | 221280-2122 | 126,635 | - | - | - | 126,635 | 126,635 | - |
| | | | | | | - | | | - |
| Total ALN 84.027 | | | 1,213,673 | 93,911 | 513,017 | - | 700,656 | 695,047 | 99,520 |
| Special Education Preschool Grants | 84.173 | 220460-2122 | 16,061 | - | - | - | 16,061 | 9,748 | 6,313 |
| | 84.173 | 210460-2021 | 14,781 | 6,252 | 14,781 | - | - | 6,252 | - |
| COVID-19 Special Education Grants to States 21/22 ARP | 84.173X | 220460-2122 | 11,332 | - | - | - | 11,332 | 11,332 | - |
| Total ALN 84.173 | | | 42,174 | 6,252 | 14,781 | - | 27,393 | 27,332 | 6,313 |
| Total Special Education Cluster | | | 1,255,847 | 100,163 | 527,798 | - | 728,049 | 722,379 | 105,833 |
| COVID-19 Homeless Students Grant ARP | 84.425W | 211020-2122 | 2,514 | - | - | - | 2,514 | 2,514 | - |
| Total passed through Ottawa Area Intermediate School District | | | 1,258,361 | 100,163 | 527,798 | - | 730,563 | 724,893 | 105,833 |
| Total U.S. Department of Education | | | 6,149,658 | 114,218 | 686,686 | 307,373 | 2,011,649 | 2,085,629 | 347,611 |

# ALLENDALE PUBLIC SCHOOLS
# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
# FOR THE YEAR ENDED JUNE 30, 2022

| Federal Grantor/Pass-through Grantor/ Program Title | Federal Assistance Listing Number | Pass-through Grantor's Number | Approved Grant Award Amount | Accrued Revenue July 1, 2021 | (Memo only) Prior year Expenditures | Adjustments | Current Year Expenditures | Current Year Cash Receipts | Accrued Revenue June 30, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Department of Health and Human Services | | | | | | | | | |
| Passed through Michigan Department of Community Health | | | | | | | | | |
| Passed through Ottawa Area Intermediate School District | | | | | | | | | |
| Medicaid Medical Assistance Program Cluster | 93.778 | N/A | $ 4,849 | $ - | $ - | $ - | $ 4,849 | $ 4,849 | $ - |
| Passed through Ottawa County | | | | | | | | | |
| COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases | 93.323 | N/A | 86,073 | - | - | - | 79,140 | 79,140 | - |
| Total U.S. Department of Health and Human Services | | | 90,922 | - | - | - | 83,989 | 83,989 | - |
| Federal Emergency Management Agency | | | | | | | | | |
| Passed through Michigan State Police, | | | | | | | | | |
| Emergency Management and Homeland Security Division | | | | | | | | | |
| COVID-19 Public Assistance Grant Program | 97.036 | N/A | 17,686 | 17,686 | 17,686 | - | - | 17,686 | - |
| TOTAL FEDERAL AWARDS | | | $ 8,703,269 | $ 174,139 | $ 1,595,766 | $ 307,373 | $ 3,638,761 | $ 3,737,532 | $ 382,741 |

**ALLENDALE PUBLIC SCHOOLS**
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2022**

## NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Allendale Public Schools under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Allendale Public Schools, it is not intended to and does not present the financial position or changes in net position of Allendale Public Schools.

The District qualifies for low-risk auditee status. Management has utilized the Nexus and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Allendale Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## NOTE 3 - ADJUSTMENTS

Adjustments were made for ALN #84.425C ($21,913) and ALN #84.425D ($285,460) for prior year federal expenditures incurred but not reported on the SEFA.

## NOTE 4 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements for the period ended June 30, 2021:

| | |
|---|---|
| General fund | $ 2,786,236 |
| Other nonmajor governmental funds | 1,543,123 |
| Total federal revenue in the fund financial statements | 4,329,359 |
| Less: Prior year federal expenditures adjustment | (307,373) |
| Less: Federal assistance funding not subject to single audit act | (383,225) |
| Expenditures per schedule of expenditures of federal awards | $ 3,638,761 |

## NOTE 5 – RECONCILIATION OF FEDERAL PROGRAMS FROM MULTIPLE FUNDING SOURCES

Education stabilization funds reported in the schedule of expenditures of federal awards are reported from the following sources for the year ended June 30, 2022:

| | |
|---|---|
| U.S. Department of Education | |
| Passed through Michigan Department of Education | $1,063,234 |
| Passed through Ottawa Area Intermediate School District | 2,514 |
| | $1,065,748 |

Maner Costerisan

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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***

To the Board of Education of
Allendale Public Schools

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, each major fund, and the aggregate remaining fund information of Allendale Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Allendale Public Schools' basic financial statements, and have issued our report thereon dated September 30, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Allendale Public 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 Allendale Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Allendale Public 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 Allendale Public 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.

Maner Costerisan PC

September 30, 2022

Maner Costerisan

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

To the Board of Education of
Allendale Public Schools

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Allendale Public 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 each of Allendale Public Schools' major federal programs for the year ended June 30, 2022. Allendale Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Allendale Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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 Allendale Public 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 each major federal program. Our audit does not provide a legal determination of Allendale Public 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 Allendale Public Schools' federal programs.

### *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 Allendale Public 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 Allendale Public 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 Allendale Public Schools' compliance with the requirements of each 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 Allendale Public 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 Allendale Public 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 Allendale Public 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.

Maner Costerisan PC

September 30, 2022

**ALLENDALE PUBLIC SCHOOLS**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**YEAR ENDED JUNE 30, 2022**

## Section I - Summary of Auditor's Results

***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles: | *Unmodified* |
| Internal control over financial reporting: | |
| ➢ Material weakness(es) identified? | ____ Yes __X__ No |
| ➢ Significant deficiency(ies) identified that are not considered to be material weakness(es)? | ____ 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 that are not considered to be material weakness(es)? | ____ 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 Title 2 CFR Section 200.516(a)? | ____ Yes __X__ No |

Identification of major programs:

| Assistance Listing Number(s) | Name of Federal Program or Cluster |
|---|---|
| 10.553, 10.555, 10.556, 10.559 | Child Nutrition Cluster |
| 84.425 | Education Stablization Fund |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $ 750,000 |
| Auditee qualified as low-risk auditee? | __X__ Yes ____ No |

## Section II - Financial Statement Findings

None

## Section III - Federal Award Findings and Question Costs

None

**ALLENDALE PUBLIC SCHOOLS**
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**
**YEAR ENDED JUNE 30, 2022**

There were no audit findings in the prior year.