

MENOMINEE AREA PUBLIC SCHOOLS

Annual Financial Report

June 30, 2022

MENOMINEE AREA PUBLIC SCHOOLS

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Independent Auditors' Report

To the Board of Education
Menominee Area Public Schools
Menominee, Michigan

Report on Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

To the Board of Education
Menominee Area Public Schools

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedules of proportionate share of the net pension liability and employer pension contributions, and schedules of proportionate share of the net OPEB liability and employer contributions 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.

To the Board of Education
Menominee Area Public Schools

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Awards*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds and 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 November 1, 2022 on our consideration of Menominee Area Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KerberRose SC

KerberRose S.C.
Certified Public Accountants
Green Bay, Wisconsin
November 1, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

MENOMINEE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis
For the Year Ended June 30, 2022

This section of the Menominee Area Public School's (District) annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2022. It is to be read in conjunction with the District's financial statements, which immediately follow.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District financially as a whole. The district-wide financial statements provide information about the activities of the District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how the activities of the District were financed in the short-term as well as what fund balances remain for future spending. Fund financial statements provide more detail about the District's operations than district-wide statements. The statement of fiduciary net position and the statement of changes in fiduciary net position, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents. The structure of the financial statements is as follows:

Management Discussion and Analysis (MD&A) (Required Supplementary Information)

Basic Financial Statements

District-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information

Budgetary Information for the General Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Employer Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of Employer OPEB Contributions

Supplementary Information

Combining Financial Statements

MENOMINEE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis
For the Year Ended June 30, 2022

Summary of net position (deficit):

The following summarizes the net position (deficit) as of the fiscal years ended June 30, 2022 and 2021.

	Governmental Activities	
	6/30/22	6/30/21
ASSETS		
Current Assets	\$ 17,725,179	\$ 6,952,977
Capital Assets, Net of Accumulated Depreciation	7,813,585	5,760,045
Total Assets	<u>25,538,764</u>	<u>12,713,022</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources Related to Pension	5,009,134	5,878,101
Deferred Outflows of Resources Related to OPEB	2,000,214	2,143,469
Total Deferred Outflows of Resources	<u>7,009,348</u>	<u>8,022,570</u>
LIABILITIES		
Current Liabilities	2,773,149	2,726,908
Long-Term Liabilities	32,845,584	30,706,022
Total Liabilities	<u>35,618,733</u>	<u>33,432,929</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources Related to Pension	7,458,565	1,838,503
Deferred Inflows of Resources Related to OPEB	4,628,012	3,306,720
Total Deferred Inflows of Resources	<u>12,086,577</u>	<u>5,303,570</u>
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	3,856,190	3,935,045
Restricted	12,799,697	2,082,452
Unrestricted (Deficit)	(31,813,085)	(23,861,057)
Total Net Deficit	<u>\$ (15,157,198)</u>	<u>\$ (17,843,560)</u>

Analysis of Financial Position:

During the fiscal year ended June 30, 2022, the District's net deficit decreased.

A. Revenue/Expenditures

Grant revenue/expenses were increased based on more funds being distributed by the state per the approved consolidated application.

Revenues from general fund operations exceeded expenditures for the fiscal year ended June 30, 2022.

MENOMINEE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis
For the Year Ended June 30, 2022

Analysis of Financial Position (Continued):

B. Debt

The District made principal payments on the remaining bond issues that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance 7/1/21	Additions	Payments	Principal Balance 6/30/22
2009 A Energy Improvements Bonds	\$ 1,170,000	\$ -	\$ -	\$ 1,170,000
2016 and 2021 School Improvement Bonds	655,000	10,355,000	210,000	10,800,000
Issuance Premium	-	1,949,173	44,195	1,904,978
Total Long-Term Bond Obligations	\$ 1,825,000	\$ 12,304,173	\$ 254,195	\$ 13,874,978

C. Investment in Capital Assets

The following summarizes the District's investment in capital assets for 2021-2022.

	Balance 7/1/21	Additions	Deletions	Balance 6/30/22
Capital Assets	\$ 15,483,549	\$ 2,315,924	\$ -	\$ 17,799,473
Less: Accumulated Depreciation	(9,723,504)	(262,384)	-	(9,985,888)
Investment in Capital Assets	\$ 5,760,045	\$ 2,053,540	\$ -	\$ 7,813,585

MENOMINEE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis
For the Year Ended June 30, 2022

Results of operations:

For the fiscal years ended June 30, 2022 and 2021, the District-wide results of operations are as follows:

	<u>2022</u>	<u>2021</u>
Revenues:		
General Revenues:		
Property Taxes Levied for General Operations	\$ 2,500,429	\$ 2,306,075
Property Taxes Levied for Debt Service	4,763	6,493
Property Taxes Levied for Sinking Fund	703,468	693,026
State of Michigan Unrestricted Aid	7,747,732	7,844,618
Other General Revenues	75,241	51,273
Total General Revenues	<u>11,031,633</u>	<u>10,901,485</u>
Operating Grants and Contributions:		
Instruction	4,753,386	4,100,583
Supporting Services	21,037	8,000
Food Service	868,090	826,861
Scholarships	123,274	141,460
Student Activities	181,326	115,540
Total Operating Grants	<u>5,947,113</u>	<u>5,192,444</u>
Charges for Services:		
Food Services	5,679	5,236
Other	72,053	43,069
Total Charges for Services	<u>77,732</u>	<u>48,305</u>
Total Revenues	<u>17,056,478</u>	<u>16,142,234</u>
Expenses:		
Instruction	8,544,354	8,778,185
Supporting Services	4,209,593	5,461,454
Food Service	610,562	647,674
Scholarships	113,190	166,638
Student Activities	189,132	83,615
Interest	440,901	30,240
Depreciation	262,384	251,899
Total Expenses	<u>14,370,116</u>	<u>15,419,705</u>
Change in Net Deficit	2,686,362	722,529
Beginning Net Deficit	<u>(17,843,560)</u>	<u>(18,566,089)</u>
Ending Net Deficit	<u>\$ (15,157,198)</u>	<u>\$ (17,843,560)</u>

MENOMINEE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis
For the Year Ended June 30, 2022

State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- State of Michigan State Aid Act per student foundation allowance
- Student Enrollment-Blended at 90 percent of current year's fall count and 10 percent of current year's winter count
- The District's non-homestead levy

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Menominee Area Public Schools foundation allowance was \$8,111 for the 2022-2022 school year.

Student Enrollment:

The District's student enrollment for the state aid membership of 2021-2022 was 1,253 students. The District's enrollment decreased from the prior school year's student count. The following summarizes state aid membership student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2021-2022	1,253	(6)
2019-2020	1,259	(48)
2018-2019	1,307	(65)
2017-2018	1,372	(14)
2016-2017	1,386	(16)

Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The District levied 18 mills of property taxes for general fund operations on Non-Homestead Properties. It should be noted that in a number of years prior to this year the millage on Non-Homestead Properties was reduced as a result of what is referred to as Headlee Rollbacks. In November of 2012, the District passed two ballot proposals which eliminated the Headlee Rollbacks and reinstated the full allowable 18 mills for Non-Homestead Properties.

The following summarizes the District's non-homestead levy the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>
2020-2021	\$ 2,306,075
2019-2021	2,248,313
2018-2019	2,207,585
2017-2018	2,258,406
2016-2017	2,260,689

MENOMINEE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis
For the Year Ended June 30, 2022

GENERAL FUND BUDGET AND ACTUAL REVENUES AND EXPENDITURES

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

General Fund Revenue Budget vs. Actual

<u>Fiscal Year</u>	<u>Revenues and Other Financing Sources Final Budget</u>	<u>Revenues and Other Financing Sources Final Actual</u>
2020 – 2021	\$ 14,377,794	\$ 14,344,948
2021 – 2022	15,304,269	15,195,105

The final revenue budget reflects the following changes from the original budget:

- The final budget was adjusted to actual state aid based on non-blended count.
- Title grant revenue/expenses were based on funds being distributed by the state per the approved consolidated application.

General Fund Expenditures Budget vs. Actual

<u>Fiscal Year</u>	<u>Expenditures and Other Financing Uses Final Budget</u>	<u>Expenditures and Other Financing Uses Final Actual</u>
2020 – 2021	\$ 14,230,740	\$ 13,881,437
2021 – 2022	15,195,912	14,596,976

The final expenditure budget reflects the following changes from the original budget:

- Title grant revenue/expenses were based on funds being distributed by the state per the approved consolidated application.

MENOMINEE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis
For the Year Ended June 30, 2022

Economic Factors and Next Year's Budgets and Rates

The board and administration consider many factors when setting the District's 2022-2023 fiscal year budgets. The 2023 budget was adopted in June 2022.

Since the District's revenue is dependent on state categorical funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

Health care costs continue to weigh heavily upon school districts in Michigan. The District has taken steps to slow the growth of health care costs by selecting adequate and competitive health care plans with deductibles and increased prescription and office co-pays.

The overall financial position of the District on June 30, 2022 remains sound; however, the District will have to continue to evaluate the use of fund equity in balancing the budget. In the future, the fund balances of the general fund may be reduced because of decreased State and Federal appropriations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have any questions about this report or need additional information, contact the Superintendent's Office, Menominee Area Public Schools, 1230 13th Street, Menominee, Michigan, 49858 or call 906-863-9951.

BASIC FINANCIAL STATEMENTS

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MENOMINEE AREA PUBLIC SCHOOLS
District-Wide Statement of Net Position (Deficit)
As of June 30, 2022

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 12,506,146
Restricted Cash	2,056,629
Accounts Receivable	36,347
Due From State Government	1,915,001
Due From Federal Government	1,168,473
Inventories	42,583
Total Current Assets	17,725,179
Noncurrent Assets:	
Construction in Progress	2,307,276
Capital Assets	15,492,197
Less: Accumulated Depreciation	(9,985,888)
Total Noncurrent Assets	7,813,585
TOTAL ASSETS	25,538,764
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pension	5,009,134
Deferred Outflows of Resources Related to Other Post-Employment Benefits	2,000,214
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,009,348
LIABILITIES	
Current Liabilities:	
Short-Term Note Payable	1,000,000
Accounts Payable	499,520
Accrued Salaries	644,111
Accrued Payroll Liabilities and Related Items	225,110
Accrued Interest	76,455
Unearned Revenue	31,515
Current Portion of Long-Term Obligations	296,438
Total Current Liabilities	2,773,149
Noncurrent Liabilities:	
Pension Liability - MPERS	17,939,665
Other Post-Employment Benefit Liability	1,184,398
Noncurrent Portion of Long-Term Obligations	13,721,521
Total Noncurrent Liabilities	32,845,584
TOTAL LIABILITIES	35,618,733
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pension	7,458,565
Deferred Inflows of Resources Related to Other Post-Employment Benefits	4,628,012
TOTAL DEFERRED INFLOWS OF RESOURCES	12,086,577
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	3,856,190
Restricted	12,799,697
Unrestricted (Deficit)	(31,813,085)
TOTAL NET POSITION (DEFICIT)	\$ (15,157,198)

See Accompanying Notes

MENOMINEE AREA PUBLIC SCHOOLS

District-Wide Statement of Activities

For the Year Ended June 30, 2022

	<u>Program Revenues</u>		Net (Expenses) Revenues and Changes in Net Deficit	
	<u>Charges for</u>	<u>Operating Grants and</u>	<u>Total Governmental</u>	
<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Activities</u>	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 8,544,354	\$ 6,797	\$ 4,753,386	\$ (3,784,171)
Supporting Services	4,209,593	65,256	21,037	(4,123,300)
Food Service	610,562	5,679	868,090	263,207
Scholarships	113,190	-	123,274	10,084
Student Activities	189,132	-	181,326	(7,806)
Interest on Debt	440,901	-	-	(440,901)
Depreciation - Unallocated	262,384	-	-	(262,384)
Total Governmental Activities	<u>\$ 14,370,116</u>	<u>\$ 77,732</u>	<u>\$ 5,947,113</u>	<u>(8,345,271)</u>
 GENERAL REVENUES				
Property Taxes:				
General Operations				2,500,429
Debt Service				4,763
Other Taxes				703,468
State of Michigan Aid, Unrestricted				7,747,732
Interest and Investment Earnings				30,032
Miscellaneous				45,209
Total General Revenues				<u>11,031,633</u>
CHANGE IN NET DEFICIT				2,686,362
NET DEFICIT - BEGINNING OF YEAR				<u>(17,843,560)</u>
NET DEFICIT - END OF YEAR				<u>\$ (15,157,198)</u>

See Accompanying Notes

MENOMINEE AREA PUBLIC SCHOOLS

Balance Sheet
Governmental Funds
As of June 30, 2022

	<u>General Fund</u>	<u>Capital Projects Sinking Trust Fund</u>
ASSETS		
Cash	\$ 1,530,525	\$ -
Restricted Cash	-	934,732
Accounts Receivable	33,894	2,282
Due From State Governments	1,915,001	-
Due From Federal Governments	1,160,173	-
Inventories	30,083	-
TOTAL ASSETS	<u>\$ 4,669,676</u>	<u>\$ 937,014</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Short-Term Note Payable	\$ 1,000,000	\$ -
Accounts Payable	256,214	-
Accrued Salaries	644,111	-
Accrued Payroll Liabilities and Related Items	225,110	-
Accrued Interest on Short-Term Note Payable	1,030	-
Unearned Revenue	31,515	-
Total Liabilities	<u>2,157,980</u>	<u>-</u>
Fund Balances:		
Nonspendable:		
Inventories	30,083	-
Restricted for:		
Debt Service	-	937,014
Food Service	-	-
Capital Projects	-	-
Scholarships	-	-
Student Activities	-	-
Unassigned	2,481,613	-
Total Fund Balances	<u>2,511,696</u>	<u>937,014</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,669,676</u>	<u>\$ 937,014</u>

See Accompanying Notes

<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
<u>Other Capital</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Projects Fund</u>	<u>Funds</u>	<u>Funds</u>
\$ 10,141,409	\$ 834,212	\$ 12,506,146
-	1,121,897	2,056,629
-	171	36,347
-	-	1,915,001
-	8,300	1,168,473
-	12,500	42,583
<u>\$ 10,141,409</u>	<u>\$ 1,977,080</u>	<u>\$ 17,725,179</u>

\$ -	\$ -	\$ 1,000,000
223,826	19,480	499,520
-	-	644,111
-	-	225,110
-	-	1,030
-	-	31,515
<u>223,826</u>	<u>19,480</u>	<u>2,401,286</u>

-	12,500	42,583
-	1,122,170	2,059,184
-	378,768	378,768
9,917,583	-	9,917,583
-	192,122	192,122
-	252,040	252,040
-	-	2,481,613
<u>9,917,583</u>	<u>1,957,600</u>	<u>15,323,893</u>
<u>\$ 10,141,409</u>	<u>\$ 1,977,080</u>	<u>\$ 17,725,179</u>

See Accompanying Notes

MENOMINEE AREA PUBLIC SCHOOLS

Reconciliation of Balance Sheet - Governmental Funds to the District-Wide Statement of Net Position (Deficit)
As of June 30, 2022

Total Fund Balances - Governmental Funds \$ 15,323,893

Total net position (deficit) reported for governmental activities in the statement of net position (deficit) is different from the amount reported above as total governmental funds fund balances because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position (deficit):

Capital Assets	17,799,473	
Accumulated Depreciation	<u>(9,985,888)</u>	7,813,585

The District's proportionate share of the Michigan Public School Employees Retirement Plan is not an available financial resource; therefore, it is not reported in the fund financial statements.

Deferred Outflows of Resources Related to Pension	5,009,134	
Deferred Inflows of Resources Related to Pension	<u>(7,458,565)</u>	(2,449,431)

The District's proportionate share of the Michigan Public School Employees Other Post-Employment Benefit Plan is not an available financial resource; therefore, it is not reported in the fund financial statements.

Deferred Outflows of Resources Related to Other Post-Employment Benefits	2,000,214	
Deferred Inflows of Resources Related to Other Post-Employment Benefits	<u>(4,628,012)</u>	(2,627,798)

Certain liabilities, including bonds and notes payable, are not due in the current period and therefore not reported in the fund statements. Long-term and other liabilities reported in the statement of net position (deficit) that are not reported in the balance sheets:

General Obligation Debt	(11,970,000)	
Debt Premium	(1,904,978)	
Accrued Interest on General Obligation Debt	(75,425)	
Net Pension Liability - MPSERS	(17,939,665)	
Other Post-Employment Benefits Liability	(1,184,398)	
Compensated Absences	<u>(142,981)</u>	<u>(33,217,447)</u>

Total Net Position (Deficit) - Governmental Activities \$ (15,157,198)

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MENOMINEE AREA PUBLIC SCHOOLS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Capital Projects Sinking Fund</u>
REVENUES		
Local Sources	\$ 2,706,432	\$ 704,971
State Sources	10,527,268	-
Federal Sources	1,776,397	-
Interdistrict and Other Sources	134,958	-
Other Local Sources	-	-
Total Revenues	<u>15,145,055</u>	<u>704,971</u>
EXPENDITURES		
Current:		
Instruction:		
Basic Programs	4,916,303	
Added Needs	5,297,908	-
Supporting Services:		
Pupil	308,208	350,900
Instructional Staff	80,428	-
General Administration	274,877	-
School Administration	843,030	-
Business Service	273,374	-
Operating and Maintenance	1,263,078	-
Transportation	549,498	-
Central Services	532,384	-
Athletics	167,010	-
Other Support Services	5,058	-
Scholarships	-	-
Student Activities	-	-
Food Service	-	-
Capital Outlay	2,079	-
Debt Service:		
Principal	-	210,000
Interest	7,097	13,100
Total Expenditures	<u>14,520,332</u>	<u>574,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>624,723</u>	<u>130,971</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from Sale of Assets	50	-
Proceeds from Issuance of Bonds	-	-
Premium on Issuance of Debt	-	-
Transfers In	50,000	-
Transfers Out	(76,644)	-
Total Other Financing Sources (Uses)	<u>(26,594)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	598,129	130,971
FUND BALANCES - BEGINNING OF YEAR	<u>1,913,567</u>	<u>806,043</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,511,696</u>	<u>\$ 937,014</u>

See Accompanying Notes

<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
<u>Other Capital</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Projects Fund</u>	<u>Funds</u>	<u>Funds</u>
\$ -	\$ 10,585	\$ 3,421,988
-	61,626	10,588,894
-	815,159	2,591,556
-	-	134,958
20,385	307,342	327,727
<u>20,385</u>	<u>1,194,712</u>	<u>17,065,123</u>
-	-	4,916,303
-	-	5,297,908
-	-	659,108
-	-	80,428
-	-	274,877
-	-	843,030
-	-	273,374
2,015,318	-	3,278,396
-	-	549,498
-	-	532,384
-	-	167,010
-	-	5,058
-	113,190	113,190
-	189,122	189,122
-	692,220	692,220
-	-	2,079
-	-	210,000
171,164	220,493	411,854
<u>2,186,482</u>	<u>1,215,025</u>	<u>18,495,839</u>
<u>(2,166,097)</u>	<u>(20,313)</u>	<u>(1,430,716)</u>
-	-	50
10,134,507	220,493	10,355,000
1,949,173	-	1,949,173
-	76,644	126,644
-	(50,000)	(126,644)
<u>12,083,680</u>	<u>247,137</u>	<u>12,304,223</u>
9,917,583	226,824	10,873,507
-	1,730,776	4,450,386
<u>\$ 9,917,583</u>	<u>\$ 1,957,600</u>	<u>\$ 15,323,893</u>

See Accompanying Notes

MENOMINEE AREA PUBLIC SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds to the District-Wide Statement of Activities
For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds		\$ 10,873,507
 Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position (deficit) and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital outlay reported in governmental fund statements	2,315,924	
Depreciation expense reported in the statement of activities	<u>(262,384)</u>	
Amount by which capital outlays are more than depreciation in the current period		2,053,540
Change in amounts related to the pension plan that affect the statement of activities but do not affect the fund financial statements		529,006
Change in amounts related to the other post-employment benefit plan that affect the statement of activities but do not affect the fund financial statements		1,344,808
Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
Compensated absences benefits paid in current year	33,924	
Compensated absences benefits earned in current year	<u>(25,200)</u>	
Amounts paid are more than amounts earned by		8,724
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure but is reported as a reduction in long-term debt in the statement of net position (deficit) and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year		210,000
Debt incurred in governmental funds is reported as an other financing source, but is reported as an increase in outstanding long-term debt in the statement of net position (deficit), and does not affect the statement of activities.		
The amount of debt incurred during the year		(10,355,000)
In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.		
The amount of interest paid on debt during the current period	404,757	
The amount of interest accrued on long-term debt during the current period	<u>(478,002)</u>	
Interest paid is less than interest accrued by		(73,245)
Governmental funds report debt premiums as other financing sources. These are allocated over the period the debt is outstanding in the statement of activities.		
Issuance of debt premium		(1,949,173)
Amortization of debt premium		<u>44,195</u>
 Change in Net Deficit - Governmental Activities		 \$ <u>2,686,362</u>

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MENOMINEE AREA PUBLIC SCHOOLS

Statement of Net Position

Fiduciary Fund

As of June 30, 2022

	Custodial Fund
ASSETS	
Cash	\$ <u>63,452</u>
NET POSITION	
Restricted for Student Activities	\$ <u>63,452</u>

See Accompanying Notes

MENOMINEE AREA PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Custodial Fund
ADDITIONS	
Gifts and Contributions	<u>\$ 33,325</u>
DEDUCTIONS	
Student Activities	<u> 24,253</u>
CHANGE IN NET POSITION	9,072
NET POSITION - BEGINNING	<u> 54,380</u>
NET POSITION - ENDING	<u><u>\$ 63,452</u></u>

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of Menominee Area Public Schools (District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

Nature of Operations

The District, governed by a seven-member elected school board, operates grades Kindergarten through 12 and is comprised of three taxing districts.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity nor does it have any component units.

The financial reporting entity consists of (a) organizations for which the stand-alone government is financially accountable and (b) the stand alone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the stand-alone government.

District-Wide Statements

The district-wide financial statements (i.e., the statement of net position (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues and operating grants and contributions. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues included 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) operating grants and contributions. Taxes and other items not properly included as program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund balances, revenues, and expenditures.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental funds are identified as either general, special revenue, capital projects, or debt service based upon the following guidelines.

General Fund

The general fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Fund

Custodial Fund

Custodial funds are used to account for assets held by the District as a custodian for student class organizations for each graduation year.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Major Funds

The District reports the following major governmental funds:

General Fund - The general fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

Sinking Fund - This fund records capital project activities funded with Sinking Fund millage. For this fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code.

Capital Project Fund - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital expenditures.

Non-Major Funds

The District reports the following non-major funds:

Food Service Fund - This fund accounts for the activities associated with the District's breakfast and hot lunch programs.

2009 Bond Issue, and 2013 Bond Issue Funds - These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

Student Activities - This fund accounts for resources accumulated and payments made for District led student organizations.

Scholarships - This fund accounts for resources accumulated and payments made for scholarships awarded by the District.

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 (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial report.

The district-wide and custodial fund 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 at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted resources may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Cash

The District's cash is considered to be cash on hand, demand deposits, and time deposits with financial institutions and is carried at cost. Cash balances for individual funds are pooled unless required to be maintained in segregated accounts.

State statutes and the District's investment policy authorize the District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; the District is allowed to invest in U.S. Treasury or Agency obligations, U.S. Government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase which mature not more than 270 days after the date of purchase, mutual funds and investment pools that are composed of authorized investment vehicles. The District's deposits are in accordance with statutory authority.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

Investments

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. An explanation of the categories is elaborated in Note 2 of the financial statements.

Accounts Receivable

Accounts receivable in the governmental funds are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material.

Property Taxes

Property taxes are assessed as of December 31 and attach as an enforceable lien on property on July 1 and December 1 of the following year. These taxes are due on September 14 and February 14, respectively, with the final collection date of February 28 before they are added to the delinquent tax rolls.

On or before June 30, the County Treasurer makes full settlement to the District for any remaining real property tax balance. The County assumes all responsibility for delinquent real property taxes. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year end, if any. Uncollected delinquent personal property taxes are written off after three years.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Capital Assets

Capital assets are reported at actual or estimated historical cost. Donated assets are reported at estimated acquisition value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows: buildings and improvements, buses and other vehicles and furniture and equipment are capitalized using a capitalization threshold of \$5,000. All depreciable capital assets are depreciated on a straight-line basis with estimated useful lives for buildings and building improvements of 20-50 years, buses and other vehicles of 5-10 years, and furniture and equipment of 5-20 years. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual items are consumed rather than when purchased.

Unearned Revenues

The District reports unearned revenues on its statement of net position (deficit) and balance sheet. Unearned revenues arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria is met, or when the District has a claim to the resources, the liability for unearned revenue is removed from the statement of net position (deficit) and balance sheet and revenue is recognized.

Long-Term Obligations

In the district-wide financial statements, the pension liability, OPEB liability, compensated absences, and long-term debt are reported in the statement of net position (deficit). In the fund financial statements, an expenditure for these amounts is reported in the governmental funds as it comes due for payment. Payments on long-term obligations are reported as an expenditure in the fund financial statements and as a reduction of the liability in the district-wide statement of net position (deficit).

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS), and additions to/deductions from MPERS fiduciary net position has been determined on the same basis as reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position (deficit) reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position (deficit) that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The District reports deferred outflows of resources related to pensions and other post-employment benefits in the statement of net position (deficit). A detailed list of these items can be found in notes 8 and 9.

In addition to liabilities, the statement of net position (deficit) reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position (deficit) that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The District reports deferred inflows of resources related to pensions and other post-employment benefits in the statement of net position (deficit). A detailed list of these items can be found in notes 8 and 9.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with available expendable financial resources are recorded during the year as expenditures in the appropriate governmental fund types. If they are not liquidated with available expendable financial resources, a liability is recorded in the district-wide statement of net position (deficit). The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year-end.

Leases

The District adopted GASB Statement No. 87 for the year ended June 30, 2022 which requires 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. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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. There were no material leases that were required to be recorded for the year ended June 30, 2022.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity Designations

District-Wide Statements

Equity is classified as net position (deficit) and displayed in three components:

- Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted component of net position - Consists of resources with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- Unrestricted component of net deficit - Net amount that does not meet the definition of "restricted" or "net investment in capital assets."

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

Fund Financial Statements

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned:

Nonspendable fund balance represents amounts that cannot be spent due to form (such as inventories and prepaid amounts), or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period. The school board is the decision-making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance in the general fund represents amounts constrained by the school board for a specific intended purpose. The District has not delegated the authority to assign fund balance to management. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

The District, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned.

The District has not adopted a minimum fund balance policy.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from those estimates, and such differences may be material.

Note 2 - Cash and Investments

The District is required to invest its funds in accordance with Michigan School Code Section 380.1223. Allowable investments are as follows:

- Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the state. In a primary or fourth-class school district, the bonds, bills, or notes shall be payable, at the option of the holder, upon not more than 90 days' notice, or if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- Certificates of deposit issued by a financial institution or share certificates of a state or federal credit union that is a financial institution.
- Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or federal agency obligation repurchase agreements.
- Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- Investment pools, as authorized by the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118, composed entirely of instruments that are legal for direct investment by a school district.

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

At June 30, 2022 the bank balance of cash was \$4,072,170. The District maintains its cash accounts at four financial institutions. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts) and up to \$250,000 for the combined amount of all interest and non-interest-bearing demand deposit accounts.

Fully Insured Deposits and Sweep Account	\$	2,082,868
Uninsured		<u>1,989,302</u>
Total	\$	<u><u>4,072,170</u></u>

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 2 - Cash and Investments (Continued)

For all deposits shown, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit at June 30, 2022.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value.

- Level 1 - Valuation for assets are from quoted prices in active markets. These valuations are obtained from readily available pricing sources for market transactions involving identical assets.
- Level 2 - Valuation for assets are from less active markets. These valuations are obtained from third party pricing services for identical or similar assets.
- Level 3 - Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations. These valuations incorporate certain assumptions and projections in determining fair value assigned to such assets.

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

	<u>Fair Value</u>	<u>Level 1</u>
Common Stocks	\$ 54,424	\$ 54,424

The District invests its deposits in the Michigan Liquid Asset Fund (MILAF). MILAF is an external investment pool which is recorded at amortized cost, which approximates fair value. MILAF is not registered with the SEC and the fair value of the District's investments in MILAF is the same as the value of the pool shares.

There are no limitations or restrictions on participant withdrawals for investment pools that are recorded at amortized cost, except for one-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Investment Pool Account:				
Michigan Liquid Asset Fund Plus	\$ 10,582,360	Less than one year	AAAm	S&P

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 2 - Cash and Investments (Continued)

Credit Risk - State law limits investments as detailed above. The District's investment policy does not further limit its investment choices.

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

Note 3 - Interfund Transfers

The composition of interfund transfers are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Food Service Fund	Indirect Cost Allocation	\$ 50,000
2009 Series A Bond Issue	General Fund	Debt Service	76,644
			<u>\$ 126,644</u>

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 4 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Construction in Progress	\$ -	\$ 2,307,276	\$ -	\$ 2,307,276
Capital Assets Being Depreciated				
Buildings and Improvements	13,196,344	8,648	-	13,204,992
Buses and Other Vehicles	737,836	-	-	737,836
Furniture and Equipment	1,549,369	-	-	1,549,369
Total Capital Assets Being Depreciated	<u>15,483,549</u>	<u>8,648</u>	<u>-</u>	<u>15,492,197</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(7,935,099)	(178,946)	-	(8,114,045)
Buses and Other Vehicles	(639,133)	(31,278)	-	(670,411)
Furniture and Equipment	(1,149,272)	(52,160)	-	(1,201,432)
Total Accumulated Depreciation	<u>(9,723,504)</u>	<u>(262,384)</u>	<u>-</u>	<u>(9,985,888)</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>5,760,045</u>	<u>(253,736)</u>	<u>-</u>	<u>5,506,309</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,760,045</u>	<u>\$ 2,053,540</u>	<u>\$ -</u>	<u>\$ 7,813,585</u>

Depreciation expense is not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical. Depreciation expense for the year ended June 30, 2022 amounted to \$262,384.

Note 5 - Short-Term Notes Payable

The District utilizes short-term borrowing from the Michigan Municipal Bond Authority for cash flow purposes. The District paid off the short-term notes in August 1 that were outstanding at the end of the 2020-2021 school year. The District borrowed one short-term note for \$1,200,000 at an interest rate of 0.25% and with a maturity of August 20, 2022. Short-term notes payable activity for the year ended June 30, 2022 was as follows:

<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
\$ 1,200,000	\$ 1,000,000	\$ 1,200,000	\$ 1,000,000

Total interest expense on the short-term notes for the year ended June 30, 2022 was \$7,097, including accrued interest.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 6 - Long-Term Obligations

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental Activities					
General Obligation Debt:					
Bonds	\$ 1,170,000	\$ -	\$ -	\$ 1,170,000	\$ -
School Improvement Bonds	655,000	10,355,000	210,000	10,800,000	285,000
Adjustments For:	-			-	
Issuance Premium	-	1,949,173	44,195	1,904,978	-
Total General Obligation Debt	<u>1,825,000</u>	<u>12,304,173</u>	<u>254,195</u>	<u>13,874,978</u>	<u>285,000</u>
Compensated Absences	<u>151,705</u>	<u>25,200</u>	<u>33,924</u>	<u>142,981</u>	<u>11,438</u>
Total Governmental Activity Long-Term Liabilities	<u>\$ 1,976,705</u>	<u>\$ 12,329,373</u>	<u>\$ 288,119</u>	<u>\$ 14,017,959</u>	<u>\$ 296,438</u>

Total interest paid on long-term obligations for the year ended June 30, 2022 was \$404,757.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The District's general obligation debt at June 30, 2022, consists of the following individual issues:

	<u>Issue Dates</u>	<u>Dates of Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 6/30/22</u>
Governmental Activities					
Long-Term Obligations:					
2009 Series A Bonds *	08/04/09	08/04/24	0.00%	\$ 1,170,000	\$ 1,170,000
2016 School Improvement Bonds	07/18/16	05/01/24	2.00%	1,635,000	445,000
2021 School Improvement Bonds	11/02/21	05/01/51	4.00 - 5.00%	10,355,000	10,355,000
Total General Obligation Debt					<u>\$ 11,970,000</u>

* Annual required sinking fund payments of \$76,644 began in August 2010 and continue until August 2024 at which time the bonds will mature and be paid in full. These payments will be deposited into a separate account held at a bank that will earn .25% interest per annum.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 6 - Long-Term Obligations (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2022 follows:

	Governmental Funds		
	Principal	Interest	Total
2023	\$ 285,000	\$ 452,350	\$ 737,350
2024	1,530,000	445,350	1,975,350
2025	155,000	435,450	590,450
2026	165,000	429,250	594,250
2027	180,000	422,650	602,650
2028-2032	1,155,000	1,992,450	3,147,450
2033-2037	1,630,000	1,722,450	3,352,450
2038-2042	2,025,000	1,364,250	3,389,250
2043-2047	2,450,000	927,250	3,377,250
2048-2051	2,395,000	306,750	2,701,750
	<u>\$ 11,970,000</u>	<u>\$ 8,498,200</u>	<u>\$ 20,468,200</u>

Note 7 - Net Position (Deficit)

Net deficit reported on the district-wide statement of net position (deficit) at June 30, 2022 include the following:

Net Investment in Capital Assets:	
Capital Assets, Net of Accumulated Depreciation	\$ 7,813,585
Less: Related Long-Term Debt Outstanding	(13,874,978)
Add: Unspent Bond Proceeds	9,917,583
Net Investment in Capital Assets	<u>3,856,190</u>
Restricted for:	
Debt Service	2,059,184
Food Service	378,768
Capital Projects	9,917,583
Scholarships	192,122
Student Activities	252,040
Total Restricted	<u>12,799,697</u>
Unrestricted (Deficit)	<u>(31,813,085)</u>
Total Net Position (Deficit) - District-Wide Statements	<u>\$ (15,157,198)</u>

Note 8 - Defined Benefit Pension Plan

General Information about the Plan

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

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 8 - Defined Benefit Pension Plan (Continued)

General Information about the Plan (Continued)

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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

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

Contributions - Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 19-year period beginning October 1, 2020 and ending September 30, 2038.

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

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

During the pension plan's fiscal year ended September 30, 2021, MPSERS recognized \$2,275,189 in contributions from the District.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 8 - Defined Benefit Pension Plan (Continued)

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

At June 30, 2022, the District reported a liability of \$17,939,665 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2020. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.07577340%, which was an increase of 0.0031186% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized total pension expense of \$1,927,063.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 277,893	\$ 105,643	\$ 172,250
Changes of assumptions	1,130,852	-	1,130,852
Net difference between projected and actual earnings on pension plan investments	-	5,767,545	(5,767,545)
Changes in proportion and differences between District contributions and proportionate share of contributions	1,100,093	405,514	694,579
	2,508,838	6,278,702	(3,769,864)
District 147c MPSERS UAAL Stabilization payments received subsequent to measurement date	1,179,863	1,179,863	-
District contributions subsequent to measurement date	1,320,433	-	1,320,433
	\$ 5,009,134	\$ 7,458,565	\$ (2,449,431)

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 8 - Defined Benefit Pension Plan (Continued)

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

The \$1,320,433 reported as deferred outflows related to pension resulting from the MPSERS Employer's contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ending June 30, 2023 by the District. The \$1,179,863 reported as deferred outflows and inflows related to the pension resulting from State Aid payments (147c) received subsequent to the measurement date will be recognized as revenue and expense in the year ending June 30, 2023 by the District. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2023	\$ (444,284)
2024	(736,394)
2025	(1,120,362)
2026	(1,468,824)
Total	<u>\$ (3,769,864)</u>

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

The total pension liability in the September 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
- MIP and Basic Plans:	6.80%
- Pension Plus Plan:	6.80%
- Pension Plus 2 Plan:	6.00%
Projected Salary Increases:	2.75% - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality

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

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

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 8 - Defined Benefit Pension Plan (Continued)

Notes

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by MPSERS for use in the annual pension valuations beginning with the September 30, 2020 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation with a measurement date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892 for the District.

Recognition period for assets in years is 5.

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

Long-Term Expected Return of Plan Assets - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16	9.1
International Equity	15	7.5
Fixed Income Pools	10.5	-0.7
Real Estate and Infrastructure Pools	10	5.4
Absolute Return Pools	9	2.6
Real Return and Opportunistic Pools	12.5	6.1
Short-Term Investment Pools	2	-1.3
Total	<u>100.0%</u>	

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

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

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 8 - Defined Benefit Pension Plan (Continued)

Discount Rate - A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus Plan, 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 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.

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

1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
<u>\$ 25,648,856</u>	<u>\$ 17,939,665</u>	<u>\$ 11,548,240</u>

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

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

The District reported a payable of \$120,549 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

Note 9 - Post-Employment Benefits Other Than Pensions (OPEB)

General Information about the Plan

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

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 9 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

General Information about the Plan (Continued)

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

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

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

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

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

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

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 measurement date will be amortized over a 19-year period beginning October 1, 2020 and ending September 30, 2038.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 9 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

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

Benefit Structure	OPEB Contribution Rates	
	Member	Employer
Premium Subsidy	3.00%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required Contributions to the OPEB plan from the District were \$576,025 for the year ended September 30, 2021.

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

At June 30, 2022, the District reported a liability of \$1,184,398 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.07759536 percent, which was an increase of .00304704 percent from its proportion measured as of October 1, 2020.

For the year ended June 30, 2022, the District recognized a reduction of OPEB expense of \$690,667. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between actual and expected experience	\$ -	\$ 3,380,781	\$ (3,380,781)
Changes of Assumptions	990,098	148,156	841,942
Net difference between projected and actual earnings on OPEB plan investments	-	892,702	(892,702)
Changes in proportion and differences between District contributions and proportionate share of contributions	415,376	206,373	209,003
District contributions subsequent to measurement date	594,740	-	594,740
Total	\$ 2,000,214	\$ 4,628,012	\$ (2,627,798)

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 9 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

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

Contributions subsequent to the measurement date, in the amount of \$594,740, reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Net Deferred Outflows (Inflows) of Resources
2023	\$ (923,007)
2024	(800,266)
2025	(658,745)
2026	(609,174)
2027	(204,514)
Thereafter	(26,832)
Total	<u>\$ (3,222,538)</u>

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

Additional information as of the latest actuarial valuation follows:

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.75% Year 1 graded to 3.5% Year 15
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120

Mortality

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

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 9 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

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

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have 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.

Notes

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2020 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 6.1312.

Recognition period for assets in years is 5.

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

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

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 9 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

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

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
<u>\$ 2,200,826</u>	<u>\$ 1,184,398</u>	<u>\$ 321,814</u>

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

1% Decrease 5.95%	Current Healthcare Cost Trend Rate 6.95%	1% Increase 7.95%
<u>\$ 288,273</u>	<u>\$ 1,184,398</u>	<u>\$ 2,192,647</u>

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

The District reported a payable of \$52,622 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to the Basic Financial Statements

June 30, 2022

Note 10 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and natural disasters. The District insures through commercial insurance companies for all risks of loss. Settled claims from these risks have not exceeded insurance coverage in the three past years.

REQUIRED SUPPLEMENTARY INFORMATION

MENOMINEE AREA PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 2,315,168	\$ 2,503,672	\$ 2,706,432	\$ 202,760
State Sources	10,393,776	10,517,338	10,527,268	9,930
Federal Sources	1,143,852	1,909,607	1,776,397	(133,210)
Other Sources	257,497	373,652	134,958	(238,694)
Total Revenues	<u>14,110,293</u>	<u>15,304,269</u>	<u>15,145,055</u>	<u>(159,214)</u>
EXPENDITURES				
Current:				
Instruction:				
Basic Programs	5,315,536	5,571,888	4,916,303	655,585
Added Needs	3,543,153	3,729,337	5,297,908	(1,568,571)
Supporting Services:				
Pupil Services	493,421	406,908	308,208	98,700
Instructional Staff	112,391	106,389	80,428	25,961
General Administration	494,062	432,509	274,877	157,632
School Administration	801,246	969,211	843,030	126,181
Business Service	374,654	372,501	273,374	99,127
Operating and Maintenance	1,356,203	1,385,943	1,263,078	122,865
Pupil Transportation	567,084	576,725	549,498	27,227
Central	678,191	1,315,946	532,384	783,562
Athletics	307,980	317,805	167,010	150,795
Other Support Services	-	-	5,058	(5,058)
Capital Outlay	63,688	10,750	2,079	8,671
Debt Service	-	-	7,097	(7,097)
Total Expenditures	<u>14,107,609</u>	<u>15,195,912</u>	<u>14,520,332</u>	<u>675,580</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,684</u>	<u>108,357</u>	<u>624,723</u>	<u>516,366</u>
OTHER FINANCING SOURCES (USES)				
Sale of Assets	-	-	50	50
Transfer In	-	-	50,000	50,000
Transfers Out	-	-	(76,644)	(76,644)
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>(26,594)</u>	<u>(26,594)</u>
NET CHANGE IN FUND BALANCE	2,684	108,357	598,129	489,772
FUND BALANCE - BEGINNING	<u>1,913,567</u>	<u>\$ 1,913,567</u>	<u>\$ 1,913,567</u>	<u>\$ -</u>
FUND BALANCE - ENDING	<u>\$ 1,916,251</u>	<u>\$ 2,021,924</u>	<u>\$ 2,511,696</u>	<u>\$ 489,772</u>

MENOMINEE AREA PUBLIC SCHOOLS

Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to
Actual – General Fund
For the Year Ended June 30, 2022

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedule:

- a. Based upon requests from District staff, District administration recommends budget proposals to the school board.
- b. The school board prepares a proposed budget for the fiscal year, including proposed expenditures and the means of financing them.
- c. Pursuant to a public budget hearing, the school board may make alterations to the proposed budget.
- d. Once the school board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations, unless authorized by a 2/3 vote of the entire school board.
- e. Appropriations lapse at year-end unless authorized as a carryover by the school board. The portion of fund balance representing carryover appropriations is reported as a reserved fund balance.

Basis of Accounting

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.

Excess of Expenditures Over Appropriations

General Fund:		
Instruction:		
Added Needs	\$	1,568,571
Support Service:		
Other Support Services		5,058
Debt Service		7,097

MENOMINEE AREA PUBLIC SCHOOLS
Schedule of Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Determined as of the Plan Year Ended September 30

MPERS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered- Employee Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
9/30/2021	0.0757734%	\$ 17,939,665	\$ 7,087,898	253.10%	72.32%
9/30/2020	0.0726548%	24,957,700	6,637,133	376.03%	59.49%
9/30/2019	0.0702013%	23,248,294	6,205,391	374.65%	60.07%
9/30/2018	0.0730183%	21,950,631	6,030,352	364.00%	62.36%
9/30/2017	0.0775305%	20,091,459	6,341,812	316.81%	64.21%
9/30/2016	0.0783532%	19,548,477	6,673,949	292.91%	63.27%
9/30/2015	0.0784030%	19,149,959	6,498,589	294.68%	62.92%

Schedule of Employer Pension Contributions
Michigan Public School Employees Retirement Plan
Determined as of the District Year Ended June 30

District Year End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
6/30/2022	\$ 1,381,099	\$ 1,381,099	\$ -	\$ 7,081,795	19.50%
6/30/2021	1,168,286	1,168,286	-	6,633,657	17.61%
6/30/2020	1,138,498	1,138,498	-	6,583,422	17.29%
6/30/2019	1,078,414	1,078,414	-	6,165,021	17.49%
6/30/2018	1,096,742	1,096,742	-	6,010,511	18.25%
6/30/2017	1,226,996	1,226,996	-	6,442,532	19.05%
6/30/2016	1,303,826	1,303,826	-	6,742,194	19.34%

*Ten years of data will be accumulated beginning with the 2015 fiscal year.

MENOMINEE AREA PUBLIC SCHOOLS
Schedule of Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Determined as of the Plan Year Ended September 30

MPSERS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered- Employee Payroll (OPEB)	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
9/30/2021	0.07759536%	\$ 1,184,398	\$ 7,087,898	16.71%	87.87%
9/30/2020	0.07454832%	3,993,753	6,637,133	60.17%	59.76%
9/30/2019	0.07082460%	5,083,611	6,205,391	81.92%	44.29%
9/30/2018	0.07058095%	5,610,446	6,030,352	93.04%	42.95%
9/30/2017	0.07806725%	6,913,223	6,341,812	109.01%	36.39%

Schedule of Employer OPEB Contributions
Michigan Public School Employees Retirement Plan
Determined as of the District Year Ended June 30

District Year End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
6/30/2022	\$ 576,025	\$ 576,025	\$ -	\$ 7,081,795	8.13%
6/30/2021	509,981	509,981	-	6,633,657	7.69%
6/30/2020	499,763	499,763	-	6,583,422	7.59%
6/30/2019	510,893	510,893	-	6,165,021	8.29%
6/30/2018	464,065	464,065	-	6,010,511	7.72%

*Ten years of data will be accumulated beginning with the 2018 fiscal year.

MENOMINEE AREA PUBLIC SCHOOLS

Notes to Schedules of Proportionate Share of the Net Pension Liability and Employer Pension Contributions and
Proportionate Share of Net OPEB Liability and Employer OPEB Contributions
For the Year Ended June 30, 2022

Defined Benefit Pension Plan

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

Changes of assumptions. For the plan year ended September 30, 2021, the following change of benefit assumptions occurred for the pension and plan:

	Plan Year Ended	
	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Discount Rate		
- MIP and Basic Plans (Non-Hybrid):	6.80%	6.80%

Post-Employment Benefits Other Than Pensions

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

Changes of assumptions. For the plan year ended September 30, 2021, the following change of benefit assumptions occurred for the OPEB plan:

	Plan Year Ended	
	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Discount Rate		
- MIP and Basic Plans (Non-Hybrid):	6.95%	6.95%

SUPPLEMENTARY INFORMATION

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MENOMINEE AREA PUBLIC SCHOOLS

Combining Balance Sheet
 Nonmajor Governmental Funds
 As of June 30, 2022

	Special Revenue		
	Food Service	Student Activities	Scholarships
ASSETS			
Cash	\$ 389,948	\$ 252,040	\$ 192,122
Restricted Cash	-	-	-
Accounts Receivable			
Due From Federal Government	8,300	-	-
Inventories	12,500	-	-
TOTAL ASSETS	\$ 410,748	\$ 252,040	\$ 192,122
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 19,480	\$ -	\$ -
Deferred Inflows of Resources			
Fund Balance:			
Nonspendable:			
Inventories	12,500	-	-
Restricted for:			
Debt Service	-	-	-
Food Service	378,768	-	-
Scholarships	-	-	192,122
Student Activities	-	252,040	-
Total Fund Balances	391,268	252,040	192,122
TOTAL LIABILITIES AND FUND BALANCES	\$ 410,748	\$ 252,040	\$ 192,122

Debt Service			
2009 Series A Bond Issue	Debt Service	2013 Bond Issue	Total
\$ -	\$ 102	\$ -	\$ 834,212
1,066,106	-	55,791	1,121,897
-	-	171	171
-	-	-	8,300
-	-	-	12,500
<u>\$ 1,066,106</u>	<u>\$ 102</u>	<u>\$ 55,962</u>	<u>\$ 1,977,080</u>

<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,480</u>
-------------	-------------	-------------	------------------

-	-	-	12,500
1,066,106	102	55,962	1,122,170
-	-	-	378,768
-	-	-	192,122
-	-	-	252,040
<u>1,066,106</u>	<u>102</u>	<u>55,962</u>	<u>1,957,600</u>
<u>\$ 1,066,106</u>	<u>\$ 102</u>	<u>\$ 55,962</u>	<u>\$ 1,977,080</u>

MENOMINEE AREA PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2022

	Special Revenue		
	Food Service	Student Activities	Scholarships
REVENUES			
Local Sources	\$ 5,711	\$ -	\$ -
State Sources	61,626	-	-
Federal Sources	815,159	-	-
Other Local Sources	-	181,326	123,283
Total Revenues	882,496	181,326	123,283
EXPENDITURES			
Current:			
Food Service	692,220	-	-
Scholarships	-	-	113,190
Student Activities	-	189,122	-
Debt Service:			
Interest	-	-	-
Total Expenditures	692,220	189,122	113,190
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	190,276	(7,796)	10,093
OTHER FINANCING SOURCES (USES)			
SOURCES (USES)			
Proceeds on Issuance of Debt	-	-	-
Transfers In	-	-	-
Transfers Out	(50,000)	-	-
Total Other Financing Sources (Uses)	(50,000)	-	-
NET CHANGE IN FUND BALANCES	140,276	(7,796)	10,093
FUND BALANCES - BEGINNING	250,992	259,836	182,029
FUND BALANCES - ENDING	\$ 391,268	\$ 252,040	\$ 192,122

Debt Service			
2009 Series A Bond Issue	2009 Series B Bond Issue	2013 Bond Issue	Total
\$ -	\$ -	\$ 4,874	\$ 10,585
-	-	-	61,626
-	-	-	815,159
2,556	102	75	307,342
<u>2,556</u>	<u>102</u>	<u>4,949</u>	<u>1,194,712</u>
-	-	-	692,220
-	-	-	113,190
-	-	-	189,122
-	220,493	-	220,493
-	<u>220,493</u>	-	<u>1,215,025</u>
2,556	(220,391)	4,949	(20,313)
-	220,493	-	220,493
76,644	-	-	76,644
-	-	-	(50,000)
<u>76,644</u>	<u>220,493</u>	-	<u>247,137</u>
79,200	102	4,949	226,824
986,906	-	51,013	1,730,776
<u>1,066,106</u>	<u>\$ 102</u>	<u>\$ 55,962</u>	<u>\$ 1,957,600</u>

ADDITIONAL REPORTS

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INDEPENDENT AUDITORS' 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
Menominee Area Public Schools
Menominee, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menominee Area Public Schools (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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*.

To the Board of Education
Menominee Area Public Schools

Menominee Area Public School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

KerberRose SC

KerberRose S.C.
Certified Public Accountants
Green Bay, Wisconsin
November 1, 2022

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

To the Board of Education
Menominee Area Public Schools
Menominee, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Menominee Area Public School (District) 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 the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, District 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District 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 the District's 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 the District's federal programs.

Auditors' 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 the District's 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 the District's compliance with the requirements of each major federal program as a whole.

To the Board of Education
Menominee, Michigan

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and 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 the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's 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 the District's 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 Auditors' 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.

KerberRose SC

KerberRose S.C.
Certified Public Accountants
Green Bay, Wisconsin
November 1, 2022

FEDERAL AWARDS SECTION

MENOMINEE AREA PUBLIC SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Grantor Agency/Federal Program Title	ALN	Pass-Through Agency	Pass-Through Number	(Accrued) Deferred Revenue 7/1/21	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2022	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>CHILD NUTRITION CLUSTER</i>								
School Breakfast Program	10.553	WI DPI	211971	\$ -	\$ 202,077	\$ -	\$ 202,077	\$ -
National School Lunch Program	10.555	MDE	211961	-	497,725	1,242	498,967	-
National School Lunch Program	10.555	MDE	220910	-	30,855	-	30,855	-
Donated Commodities 2021-2022	10.555	MDE	Unknown	-	39,515	-	39,515	-
<i>Total National School Lunch Program</i>				-	568,095	1,242	569,337	-
Summer Food Service Program - COVID-19	10.559	MDE	210904	(23,399)	23,399	-	-	-
Summer Food Service Program - COVID-19	10.559	MDE	210904	-	15,405	7,058	22,463	-
<i>Total Summer Food Service Program</i>				(23,399)	38,804	7,058	22,463	-
Total Child Nutrition Cluster				(23,399)	808,976	8,300	793,877	-
Child and Adult Care Food Program	10.558	MDE	221920	-	15,290	-	15,290	-
Child and Adult Care Food Program	10.558	MDE	221925	-	5,895	-	5,895	-
Child and Adult Care Food Program	10.558	MDE	212010	-	98	-	98	-
<i>Total Child and Adult Care Food Program</i>				-	21,283	-	21,283	-
Pandemic EBT Local Level Costs	10.649	MDE	210980	-	614	-	614	-
Total U.S. Department of Agriculture				(23,399)	830,873	8,300	815,774	-
FEDERAL COMMUNICATIONS COMMISSION								
Emergency Connectivity Fund Program	32.009	MDE	Unknown	-	-	106,975	106,975	-
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010A	MDE	211530	(149,416)	149,416	-	-	-
Title I Grants to Local Educational Agencies	84.010A	MDE	221530	-	196,329	127,249	323,578	-
<i>Total Title I Grants to Local Educational Agencies</i>				(149,416)	345,745	127,249	323,578	-
Improving Teacher Quality State Grants	84.367A	MDE	210520	(28,999)	28,999	-	-	-
Improving Teacher Quality State Grants	84.367A	MDE	220520	-	20,670	13,137	33,807	-
Student Support and Academic Enrichment Program	84.424A	MDE	210750	(16,100)	16,100	-	-	-
Student Support and Academic Enrichment Program	84.424A	MDE	220750	-	3,164	24,656	27,820	-
Elementary and Secondary School Emergency Relief I - COVID-19	84.425D	MDE	203710	(261,105)	261,105	-	-	-
Elementary and Secondary School Emergency Relief I - COVID-19	84.425D	MDE	203710	-	75,356	-	75,356	-
Elementary and Secondary School Emergency Relief II - COVID-19	84.425D	MDE	213712	-	305,209	877,894	1,183,103	-
Elementary and Secondary School Emergency Relief II - COVID-19	84.425D	MDE	213712	-	-	10,262	10,262	-
Governor's Emergency Education Relief Fund - COVID-19	84.425C	MDE	201200	(11,995)	11,995	-	-	-
Governor's Emergency Education Relief Fund - COVID-19	84.425C	MDE	201200	-	4,744	-	4,744	-
<i>Total Education Stabilization Funds</i>				(273,100)	658,409	888,156	1,273,465	-
Total U.S. Department of Education				(467,615)	1,073,087	1,053,198	1,658,670	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Childcare and Development Block Grant	93.575	MCISD	Unknown	-	960	-	960	-
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	MCISD	Not Applicable	-	9,177	-	9,177	-
Total U.S. Department of Health and Human Services				-	10,137	-	10,137	-
TOTAL FEDERAL ASSISTANCE				<u>\$ (491,014)</u>	<u>\$ 1,914,097</u>	<u>\$ 1,168,473</u>	<u>\$ 2,591,556</u>	<u>\$ -</u>

Reconciliation to the basic financial statements:

Governmental Funds

Federal Sources

\$ 2,591,556

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

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.

Menominee Area Public Schools has not elected to use the 10 percent *de minimis* indirect cost rate as allowable under the Uniform Guidance.

Note 3 - Grant Reconciliation

The amounts reported on the Cash Management System (CMS), Grant Section Auditors Report (GAR), agree with the schedule of expenditures of federal awards.

Note 4 - Expenditure Reports

Expenditures identified in the schedule of expenditures of federal awards are supported by source documentation and are in agreement with financial reports submitted to the Michigan Department of Education, except for those grants where the grant period differs from the District's fiscal year.

Note 5 - Oversight Agencies

The District's federal agency oversight agency is the U.S. Department of Education. The District's state cognizant agency is the Michigan Department of Education.

MENOMINEE AREA PUBLIC SCHOOLS
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency identified?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

ALN	Name of Federal Program
84.010	Title I Grants to Local Educational Agencies Education Stabilization Funds
84.425C	Elementary and Secondary School Emergency Relief – COVID–19
84.425D	Governor's Emergency Education Relief Fund – COVID–19

Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as a low-risk auditee?	No

MENOMINEE AREA PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs - Continued
For the Year Ended June 30, 2022

Section II - Financial Statement Findings

Finding No.

2022-001 **Segregation of Duties**

**Prior Year
Audit Finding:** 2021-001

Criteria: The Board of Education and management are responsible for establishing and maintaining internal controls over financial reporting to prevent misstatements in the District's financial reporting.

Condition: During our audit, we noted that a few of the accounting functions are performed by a few individuals, recording and processing of receipts and bank deposits as well as processing invoices and checks.

Cause: Limited staff is available to properly segregate duties within the District office.

Effect: Because of the lack of segregation of duties, unauthorized transactions or misstatements as a result of errors could occur within the financial recordkeeping.

Recommendation: We recognize that the District is limited in size to employ additional staff for the purpose of segregation of duties from a financial standpoint. We recommend the District separate the functions of cash receipting into the software and preparing the bank deposit. In addition, the District should implement a control by having Business Coordinator match the approved check listing from the board to the check register after checks are printed and processed.

**Management's
Response:** We concur with this finding and will continue to look for opportunities to strengthen this area. The duties within the Business Department are separated as much as possible given the limited staff. In addition, the Board and management will continue to rely on their direct knowledge of daily operations and direct contact with employees to better control and safeguard assets.

**Responsible
Officials:** Richard Sarau, Superintendent and Diana Murray, Business Manager

**Anticipated
Completion Date:** This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

MENOMINEE AREA PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs - Continued
For the Year Ended June 30, 2022

Section II - Financial Statement Findings (Continued)

Finding No.

2022-002 **Financial Reporting**

**Prior Year
Audit Finding:** 2021-002

Condition: During our audit, we noted that the internal control system does not include a process for preparing the annual audited financial statements and the related disclosures in accordance with GAAP.

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, change in net position, and disclosures in the financial statements, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

Cause: Management does not have the training and expertise to prepare the financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP). The outsourcing is a result of management's cost/benefit decision to use our accounting expertise rather than incurring this internal resource cost.

Effect: Although the auditors are preparing the financial statements and related footnotes, management of the District thoroughly reviews them and accepts responsibility for their completeness and accuracy.

Recommendation: We recommend that management continues to make this decision on a cost/benefit basis.

**Management's
Response:** Due to limited staffing the District will continue to contract with an outside audit firm to complete the statements. Management reviews the financial statements and compares to the District's financial records for completeness and accuracy and accepts responsibility for those financial statements.

**Responsible
Official:** Richard Sarau, Superintendent and Diana Murray, Business Manager

**Anticipated
Completion Date:** This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

MENOMINEE AREA PUBLIC SCHOOLS

Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2022

Financial Statement Findings

2021-001 – Lack of Segregation of Duties – See corrective action plan finding 2022-001.

2021-002 – Financial Reporting – See corrective action plan finding 2022-002.

Superintendent's Office
1230 13th Street
906-863-9951

Blesch Intermediate School
1200 11th Avenue
906-863-4466



Menominee Junior-Senior High School
2101 18th Street
906-863-9929 / 906-863-7814

Central Elementary School
1800 18th Avenue
906-863-3605

CORRECTIVE ACTION PLAN

Financial Statement Findings

2022-001 - Segregation of Duties - The District is aware of the lack of segregation of duties caused by the limited size of its staff. Segregation of duties was enhanced whenever possible in 2021-2022 school year and the Board of Education assumed an active roll through monthly review of receipt and disbursement transactions and monthly financial statements.

Responsible Officials

Acting Superintendent
Diana Murray, Business Manager

Anticipated Completion Date

We will continue to look for opportunities to strengthen these areas during 2022-2023 school year.

2022-002 - Financial Reporting - The District is aware that its staff does not have training to prepare the financial statements and related notes in accordance with GAAP. The District will rely on the assistance of the auditors for preparation of the financial statements and related notes. Management does thoroughly review and approve these financial statements.

Responsible Officials

Richard Sarau, Superintendent and Diana Murray, Business Manager

Anticipated Completion Date

This finding will not be completely resolved given the cost/benefit analysis the District continues to base its decision on.