

Concord Community Schools

Financial Report
With Supplemental Information

Year Ended June 30, 2022

Concord Community Schools

Contents

Independent Auditors' Report.....i-iii

Management's Discussion and Analysis.....iv-ix

Basic Financial Statements

District-Wide Financial Statements:

Statement of Net Position 1
Statement of Activities..... 2

Fund Financial Statements:

Governmental Funds:

Balance Sheet 3
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position 4
Statement of Revenues, Expenditures and Changes in Fund Balances 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities 6

Fiduciary Funds:

Statement of Fiduciary Net Position..... 7
Statement of Changes in Fiduciary Net Position..... 8

Notes to Financial Statements9-27

Required Supplementary Information

Budgetary Comparison Schedule - General Fund 28
Budgetary Comparison Schedule – Food Service Fund..... 29
Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan..... 30
Schedule of the District's Pension Contributions to the MPSERS Plan 31
Schedule of the District's Proportionate Share of the Net OPEB Liability of the MPSERS Plan..... 32
Schedule of the District's OPEB Contributions to the MPSERS Plan 33
Notes to Required Supplementary Information Pension and OPEB Schedules 34

Other Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds..... 35
Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances – Nonmajor Governmental Funds 36
Schedule of Bonded Indebtedness 37

Federal Awards Supplementary Information

Issued Under
Separate Cover



Independent Auditors' Report

Board of Education
Concord Community Schools
Concord, Michigan

Opinions

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

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

Responsibilities of Management for the Financial Statements

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

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

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 Concord Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Concord Community Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Concord Community Schools' basic financial statements. The combining nonmajor fund financial statements and the schedule of bonded indebtedness are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary 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 nonmajor fund financial statements and the schedule of bonded indebtedness 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 (under separate cover) dated September 30, 2022, on our consideration of Concord Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Concord Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Concord Community Schools' internal control over financial reporting and compliance.

Sincerely,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 30, 2022

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022

This section of Concord Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2022.

Financial Highlights

- The current year's activity increased net position by \$1,103,474, see comparison to prior year on page vii.
- The General Fund's fund balance decreased by \$273,014 to \$1,011,369 or approximately 12% of total 2021-22 General Fund expenditures.
- The District participated in the State Aid Note program for the 2021-22 year for cash flow to maintain the current level of services. This will be the case again for the 2022-23 year. See Note 7.
- The taxpayers of the District approved a sinking fund tax levy of 1.97 mills through December, 2024 to make improvements to the school facilities. Some of the improvements included middle school lockers and locksets, new casework in four elementary classrooms, and sewer pumps for the middle school boiler room. The property tax revenue for the fiscal year restricted to sinking fund capital improvement expenditures totaled approximately \$319,000.
- In accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, an unfunded pension liability has been established through actuarial valuations and will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038. A liability has also been recorded for postemployment benefits other than pensions (OPEB) similar to reporting in regards to pension plans (as per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*). With the recording of these two liabilities, the liabilities of the District exceeded its assets. The balance of the net position at the close of the most recent fiscal year was \$(8,332,655), a negative net position.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The 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 whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant funds – the General Fund and the Food Service Fund. All other funds are presented in one column as non-major funds.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities - One of the most important questions asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to accounting used by private-sector corporations.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022

The statement of net position and the statement of activities present information about the following:

Governmental Activities – The Statement of Net Position and Statement of Activities report the governmental activities for the District. These services include instruction, support services, community services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues, unrestricted and restricted State Aid, and charges for services finance most of these activities. All of the current year's revenues and expenses for these services are taken into consideration regardless of when cash is received or paid.

The Statement of Net Position reports the District's net position, the difference between assets and liabilities. The Statement of Activities reports the District's change in net position, the revenues less expenses for the fiscal year, either as an increase or a decrease, or in other words, the operating results for the year. However, the School District's goal is to provide services to its students, not to generate profits, as private-sector corporations do.

These two statements report the District's net position and changes in net position. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Accounting Manual*.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Fiduciary Funds – The District is the fiduciary for a scholarship fund. We exclude this activity from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary fund is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position and is presented on the full accrual basis of accounting.

The basic fiduciary fund financial statements can be found on pages 7 and 8 of this report.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022

Additional Information – The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 9-27 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net position and changes in net position of the District's governmental activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following is a summary of the School District's net assets as of June 30, 2022 and 2021:

	Governmental Activities	
	2022	2021
Assets:		
Current assets	\$ 3,220,367	3,440,519
Capital assets	8,053,507	8,478,157
Total assets	11,273,874	11,918,676
Deferred Outflows of Resources	2,707,946	3,818,192
Liabilities:		
Current liabilities	1,054,445	1,211,460
Long-term liabilities	14,666,050	21,008,811
Total liabilities	15,720,495	22,220,271
Deferred Inflows of Resources	6,593,980	2,969,334
Net Position:		
Invested in capital assets - net of related debt	3,059,357	3,032,050
Restricted	426,010	118,798
Unrestricted	(11,818,022)	(12,586,977)
Total net position	\$ (8,332,655)	\$ (9,436,129)

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 4.

A portion of the District's net position, \$3,059,357, reflects an investment in capital assets (i.e. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, \$426,010, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for debt service and capital projects. The *unrestricted* balance of net position, \$(11,818,022), which is *negative* net position, is negative primarily due to recording the net pension and OPEB liabilities. The pension and OPEB liabilities at fiscal year-end are expected to be amortized over a 18-year period.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022

The results of this year's operations for the School District as a whole are reported in the Statement of Activities which shows the changes in net position for fiscal year 2022. Comparative information for fiscal years 2022 and 2021 follows.

The following is a summary of the change in net position for the years ended June 30, 2022 and 2021.

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 129,331	215,890
Operating grants	3,249,568	2,844,526
General revenues:		
Property taxes	1,594,067	1,521,731
Grants and state aid	4,918,637	4,673,528
Interest and investment earnings	614	3,803
Other	85,761	57,378
Total revenues	9,977,978	9,316,856
Functions/Program Expenses:		
Instruction	4,344,783	4,704,778
Support services	2,627,399	2,742,685
Food service activities	678,000	577,311
Athletic activities	210,725	247,257
Student activities	174,241	130,843
Community service	1,470	544
Capital outlay	-	121,957
Interest on long-term obligations	200,643	216,846
Depreciation (unallocated)	637,243	600,901
Total expenses	8,874,504	9,343,122
Increase (decrease) in net position	1,103,474	(26,266)
Net position beginning of year	(9,436,129)	(9,409,863)
Ending net position	\$ (8,332,655)	\$ (9,436,129)

The District's net position increased by \$1,103,474 during the current fiscal year.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State Aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan law. The most significant budgeted funds are the General Fund and Food Service Fund. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022

The General Fund actual revenue and other financing sources were \$8,167,399. That amount is slightly higher than the amended budget estimate of \$8,129,437. The actual expenditures and other financing uses of the General Fund were \$8,440,413, which is slightly more than the amended budget estimate of \$8,370,760.

The General Fund had total revenues of \$8,167,399 and total expenditures of \$8,440,413 with a net decrease in fund balance of \$273,014 and ending fund balance of \$1,011,369. This net decrease was attributed to staff negotiations increases, severance payouts to retiring teachers, and a large increase in the cost of utilities and fuel/diesel.

Capital Asset and Debt Administration

Capital Assets – At the end of fiscal year 2022, the School District had \$15,457,292 invested in land, buildings, furniture and equipment, vehicles and buses. On this amount, \$7,403,785 in depreciation has been taken over the years. We currently have a net book value of \$8,053,507.

	Governmental Activities	
	2022	2021
Land	\$ 17,500	\$ 17,500
Buildings and improvements	12,381,894	12,285,100
Site improvements	1,437,035	1,437,035
Buses and other vehicles	310,179	350,183
Furniture and equipment	1,310,684	1,216,649
Total capital assets	15,457,292	15,306,467
Less accumulated depreciation	7,403,785	6,828,310
Net capital assets	\$ 8,053,507	\$ 8,478,157

Major capital asset purchases during the current fiscal year included MS lockers (\$49,900), elementary classroom casework (\$46,900), Ferris zero turn mower (\$15,700), MS sewer pump (\$11,500), HS security cameras (\$14,500), and a walk-in cooler and freezer for the cafeteria (\$74,100).

Long-Term Debt – At June 30, 2022, the District had total bonded debt outstanding of \$4,840,000.

	Governmental Activities	
	2022	2021
2010 Refunding Bonds	\$ -	\$ 410,000
2017 Building & Site Bonds	4,840,000	4,890,000
Total	\$ 4,840,000	\$ 5,300,000

During the current fiscal year, the District's total bonded debt decreased by \$460,000.

Additionally, the District has long-term obligations to pay out compensated absences based upon contract agreements with employees. The amount reported, which is an estimate of what is due to applicable employees if their employment ends, totals \$107,000.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2022

Economic Factors and Next Year's Budgets and Rates

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

- The ongoing financial impact of the COVID-19 pandemic.
- The District will be utilizing the State Aid Note program for the 2022-23 fiscal year. The note is for \$400,000 and is to be paid back via state aid set-asides for the last seven state aid payments. These funds will aid the District for cash flow purposes.

The following assumptions were made in preparing the District's original budgets for the 2022-23 fiscal year:

- Foundation allowance of \$9,100
- Fall Student enrollment of 632
- Steps in January 2023 for eligible staff
- 2 new hires for teaching positions filled by long-term subs in FY22, and the hire of a new teacher for the Industrial Arts program
- Addition of a maintenance position role
- Increase in utility budgets for the rising prices of fuel and natural gas
- Increase to health insurance – 1.3% increase to hard cap rate and a 10% increase for dental and vision insurance

Concord Community Schools is earmarking additional resources to focus on reading proficiency by third grade by continuing the use of a full-time Literacy Intervention Teacher again this year. The Director of Intervention has been retained to help monitor more closely those children that have been determined to be At Risk district-wide and to enable interventions to be delivered quickly and with more individualized attention than the District had resources for previously.

Concord Community Schools wishes to acknowledge the continued support of the community in helping to provide and maintain an updated, safe and appropriate environment that is conducive to learning for students. The Sinking Fund Millage continues to allow the District to address needs that have been pushed aside due to budget constraints, and to make needed improvements to our facilities. The passing of the 2022 Bond will further create enhanced program opportunities for students and future-ready learning environments. Concord Community Schools values its partnership with our parents, staff and our community to provide a quality education for all students.

Requests for Information

This financial report is designed to provide a general overview of the Concord Community Schools' finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Attention: Jennifer Natter
Concord Community Schools
405 S. Main Street
P.O. Box 338
Concord, MI 49237-0338
517.524.8850
517-768-5145
517.524-8613 (FAX)
email: Jennifer.Natter@jcisd.org

Concord Community Schools
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets:	
Cash and investments	\$ 1,523,303
Receivables:	
Accounts receivable	38,252
Due from other governmental units	1,616,325
Inventories	12,451
Prepaid expenses	30,036
Capital assets less accumulated depreciation	8,053,507
Total assets	11,273,874
Deferred Outflows of Resources:	
Pension related	1,947,867
OPEB related	760,079
Total deferred outflows of resources	2,707,946
Liabilities:	
Accounts payable	165,466
State aid and tax anticipation notes	35,750
Accrued payroll	414,726
Accrued interest on long-term debt	66,700
Unearned revenue	22,609
Other liabilities	349,194
Long-term liabilities:	
Bonds payable, due within one year	200,000
Other obligations, due within one year	16,000
Bonds payable, due in more than one year	4,640,000
Other obligations, due in more than one year	91,000
Net pension liability	9,133,782
Net OPEB liability	585,268
Total liabilities	15,720,495
Deferred Inflows of Resources:	
Bond premium on debt issuance	154,150
Pension related	4,065,690
OPEB related	2,374,140
Total deferred inflows of resources	6,593,980
Net Position:	
Net investment in capital assets	3,059,357
Restricted for capital projects	293,563
Restricted for student activities	132,447
Unrestricted	(11,818,022)
Total net position	\$ (8,332,655)

See Notes to Financial Statements.

Concord Community Schools
Statement of Activities
Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants/ Contributions</u>	<u>Net (Expenses)</u>
				<u>Revenues and</u>
				<u>Change in</u>
				<u>Net Position</u>
Primary government				
Governmental activities:				
Instruction	\$ 4,344,783	\$ -	\$ 1,945,055	\$ (2,399,728)
Support services	2,627,399	-	514,174	(2,113,225)
Food service activities	678,000	87,697	608,075	17,772
Athletic activities	210,725	41,634	-	(169,091)
Student activities	174,241	-	182,264	8,023
Community services	1,470	-	-	(1,470)
Interest on long-term debt	200,643	-	-	(200,643)
Depreciation (unallocated)	637,243	-	-	(637,243)
Total governmental activities	<u>\$ 8,874,504</u>	<u>\$ 129,331</u>	<u>\$ 3,249,568</u>	<u>(5,495,605)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				555,298
Property taxes, levied for debt service				719,663
Property taxes, levied for capital projects				319,106
State aid not restricted to specific purposes				4,918,637
Interest and investment earnings				614
Other				85,761
Total general revenues				<u>6,599,079</u>
Change in Net Position				1,103,474
Net Position - Beginning of Year				<u>(9,436,129)</u>
Net Position - End of Year				<u>\$ (8,332,655)</u>

See Notes to Financial Statements.

Concord Community Schools
Balance Sheet
Governmental Funds
June 30, 2022

<u>Assets</u>	<u>General</u>	<u>Food Service Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Cash	\$ 257,997	\$ 512,540	\$ 453,885	\$ 1,224,422
Short-term investments	5,339	-	293,542	298,881
Receivables:				
Accounts receivable	10,445	27,807	-	38,252
Due from other governmental units	1,605,432	10,893	-	1,616,325
Due from other funds	49,392	-	69	49,461
Inventories	-	12,451	-	12,451
Prepaid expenditures	25,041	4,995	-	30,036
Total assets	<u>\$ 1,953,646</u>	<u>\$ 568,686</u>	<u>\$ 747,496</u>	<u>\$ 3,269,828</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 142,249	\$ 10,313	\$ 12,904	\$ 165,466
State aid anticipation notes	35,750	-	-	35,750
Due to other funds	69	41,454	7,938	49,461
Salaries payable	412,908	1,818	-	414,726
Accrued expenditures	251,513	-	-	251,513
Unearned revenue	5,000	17,609	-	22,609
Other liabilities	94,788	2,893	-	97,681
Total liabilities	<u>942,277</u>	<u>74,087</u>	<u>20,842</u>	<u>1,037,206</u>
Fund Balances:				
Nonspendable:				
Inventories	-	12,451	-	12,451
Prepaid expenses	25,041	4,995	-	30,036
Restricted:				
Food service	-	477,153	-	477,153
Debt service	-	-	300,644	300,644
Capital expenditures	-	-	293,563	293,563
Student activities	-	-	132,447	132,447
Assigned for subsequent year expenditures	430,260	-	-	430,260
Unassigned	556,068	-	-	556,068
Total fund balances	<u>1,011,369</u>	<u>494,599</u>	<u>726,654</u>	<u>2,232,622</u>
Total liabilities and fund balances	<u>\$ 1,953,646</u>	<u>\$ 568,686</u>	<u>\$ 747,496</u>	<u>\$ 3,269,828</u>

See Notes to Financial Statements.

Concord Community Schools
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2022

Total Fund Balances - Governmental Funds \$ 2,232,622

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

Capital assets used in the governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is	\$ 15,519,060	
Accumulated depreciation is	<u>(7,465,553)</u>	8,053,507

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable	(4,840,000)	
Compensated absences	(107,000)	
Bond premium on debt	<u>(154,150)</u>	(5,101,150)

The pension/OPEB liability and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the funds.

Net pension liability	(9,133,782)	
Net OPEB liability	(585,268)	
Deferred outflows related to pensions	1,947,867	
Deferred outflows related to OPEB	760,079	
Deferred inflows related to pensions	(4,065,690)	
Deferred inflows related to OPEB	<u>(2,374,140)</u>	(13,450,934)

Accrued interest payable on long-term debt is not included as a liability in governmental funds.

(66,700)

Total Net Position - Governmental Activities \$ (8,332,655)

Concord Community Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

	<u>General</u>	<u>Food Service Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Local sources	\$ 752,660	\$ 39,047	\$ 1,221,154	\$ 2,012,861
State sources	6,173,038	21,286	-	6,194,324
Federal sources	842,552	585,151	-	1,427,703
Interdistrict and other	359,149	53,145	-	412,294
Total revenues	<u>8,127,399</u>	<u>698,629</u>	<u>1,221,154</u>	<u>10,047,182</u>
Expenditures:				
Instruction	5,172,651	-	-	5,172,651
Support services	3,266,292	-	-	3,266,292
Food service activities	-	698,604	-	698,604
Student activities	-	-	174,241	174,241
Community services	1,470	-	-	1,470
Capital outlay	-	-	144,462	144,462
Debt service:				
Principal payments	-	-	460,000	460,000
Interest and fiscal charges	-	-	195,700	195,700
Total expenditures	<u>8,440,413</u>	<u>698,604</u>	<u>974,403</u>	<u>10,113,420</u>
Revenues Over (Under) Expenditures	<u>(313,014)</u>	<u>25</u>	<u>246,751</u>	<u>(66,238)</u>
Other Financing Sources (Uses):				
Operating transfers in	40,000	-	-	40,000
Operating transfers out	-	(40,000)	-	(40,000)
Total other financing sources (uses)	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balance	(273,014)	(39,975)	246,751	(66,238)
Fund Balances - Beginning of Year	<u>1,284,383</u>	<u>534,574</u>	<u>479,903</u>	<u>2,298,860</u>
Fund Balances - End of Year	<u>\$ 1,011,369</u>	<u>\$ 494,599</u>	<u>\$ 726,654</u>	<u>\$ 2,232,622</u>

See Notes to Financial Statements.

Concord Community Schools

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

Net Change in Fund Balances - Total Governmental Funds \$ (66,238)

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

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (637,243)	
Disposal of assets	-	
Capital outlay	<u>212,593</u>	(424,650)

Accrued interest on long-term debt is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid. 3,100

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.

Repayments:		
Principal	460,000	
Amortization of deferred charges	8,564	
Amortization of premium on the refunding debt	<u>(16,607)</u>	451,957

Compensated absences are subject to full accrual in the Statement of Activities, while being recorded when financial resources are used in the governmental funds. 19,000

Governmental funds report the required pension and OPEB contributions for each fiscal year as an expenditure. The Statement of Activities reports the fully accrued pension and OPEB expenses based upon a September year-end to coincide with the State of Michigan's fiscal year.

Changes in pension related liabilities and deferrals	434,781	
Changes in OPEB related liabilities and deferrals	<u>685,524</u>	<u>1,120,305</u>

Change in Net Position of Governmental Activities \$ 1,103,474

Concord Community Schools
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2022

	Private Purpose Trust Fund
Assets:	
Cash and investments	\$ 243,030
Total assets	<u>243,030</u>
Net Position:	
Restricted for special purposes	<u>243,030</u>
Total net position	<u><u>\$ 243,030</u></u>

Concord Community Schools
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2022

	Private Purpose Trust Fund
Additions:	
Interest and investment earnings	\$ 695
Total additions	<u>695</u>
Deductions:	
Dues and fees	10
Total deductions	<u>10</u>
Change in Net Position	685
Net Position - Beginning of Year	<u>242,345</u>
Net Position - End of Year	<u><u>\$ 243,030</u></u>

See Notes to Financial Statements.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Concord Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

All of the School District's government-wide activities are considered governmental activities. The district-wide financial statements as well as the fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position presents all governmental activities on a consolidated basis. The Statement of Net Position reports all assets and liabilities including those of a long-term nature. The net difference is reported as net position. Net position is categorized as net investment in capital assets, restricted net position, and unrestricted net position. It is the District's policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide and Fund Financial Statements (Continued)

Fund-Based Statements – Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements with nonmajor governmental funds aggregated into a single column.

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

Property taxes, unrestricted State Aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure reimbursing grants are recognized when the qualifying expenditures have been incurred, eligibility requirements have been met, and receipt of monies is expected within the current availability period (60 days post year-end). All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

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

Food Service Fund – The Food Service Fund is a special revenue fund used to record revenues and expenditures related specifically to food service activity.

Additionally, the government reports the following fund types:

Capital Project Funds – Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The District maintains the Sinking Fund, which has restricted property taxes as its source of revenue. For this capital project fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95. The District also maintains the Capital Project Fund which is used to record bond proceeds from the 2018 Building and Site Bonds and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. For this capital project fund, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide and Fund Financial Statements (Continued)

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District maintains two special revenue funds: the Food Service Fund (a major fund) and the Student Activities Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures and the disbursements thereof on a particular bond issue. The District maintains the 2010 Refunding Debt Fund and the 2018 Debt Retirement Fund.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the District in a trustee capacity (trust funds) or as an agent (agency funds). Fiduciary Fund net position and results of operations are not included in the district-wide statements. The District maintains a Trust Fund, the Murdock Scholarship Fund, which is a private purpose trust fund maintained to segregate transactions involving scholarship monies and distributions to recipients.

Revenues, Assets, Liabilities, and Net Position or Equity

State Revenue - The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2022, the foundation allowance was based on pupil membership counts.

The State portion of the foundation is provided primarily by a State education property tax millage of six mills on Principal Residence Exemption (PRE) property and an allocated portion of State sales and other taxes. The local portion of the foundation is funded mainly by non-PRE property (non-homestead) taxes which may be levied at a rate of up to 18 mills. The local portion also includes 6 mills on Commercial Personal Property. The State revenue is recognized during the foundation period and is funded through payments from October to August of each year. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

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

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

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

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

General Fund – Non-primary residence	18.0000
General Fund – Commercial personal property	6.0000
Debt Service – all taxable values	4.4000
Sinking Fund – all taxable values	1.9476

Tax abatements provided to property tax payers, if any, were not significant, and thus no disclosure was deemed required in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

Cash and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB professional standards. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds, securities, and other obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, contained in the Michigan Compiled Laws. The District is also authorized to invest in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase, U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Inventories and Prepaid Items – Inventories are valued at cost (purchase price) on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Group purchases are evaluated on a case-by-case basis. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

Right to use assets, if any, are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Site improvements	20 years
Buses and other vehicles	10 years
Furniture and equipment	7 -10 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are reported as a deferred inflow or outflow, separate from assets and liabilities, and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Debt issued as well as premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Outflows of Resources – This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. For governmental funds, this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide statements, the District currently reports deferred outflows of resources related to deferred pension and OPEB plan expenses which will be expensed in the plan year in which they apply. Also reported are deferred outflows related to bond refunding amounts which are determined based upon the difference in carrying value and the reacquisition costs and are amortized over the life of the related bonds.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Deferred Inflows of Resources – In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflows of resources related to its net pension liability and net OPEB liability including amounts deferred for MPERS Unfunded Actuarial Accrued Liabilities (UAAL) stabilization statutorily required contributions. The pension and OPEB related future resources will be amortized and recognized over a time period established by the actuary and relate to differences between actuarial estimates and actual results. When applicable, bond premiums are amortized over the life of the bonds.

Defined Benefit Pension Plan – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are 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. Related investments are reported at fair value. See Note 10 for detailed information.

Postemployment Benefits Other Than Pensions – 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 Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are 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. Related investments are reported at fair value. See Note 10 for detailed information.

Fund Balance – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are not in spendable form or are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision making authority (the School Board) through adoption of a resolution and may only be removed by the School Board through a rescindment resolution; *assigned* amounts that have an intended purpose but require no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

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

Concord Community Schools
Notes to Financial Statements

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund and special revenue funds. Annual appropriations lapse at fiscal year-end.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated at the function level per State law. Violations, if any, for the General Fund and Food Service Fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2022.

Note 3 – Cash and Investments

At year-end, the School District's cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and investments	\$ 1,523,303	\$ 243,030	\$ 1,766,333

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposits)	\$ 1,471,391
Investments in FDIC insured money market deposit accounts	293,542
Petty cash	1,400
Total	\$ 1,766,333

Concord Community Schools
Notes to Financial Statements

Note 3 – Cash and Investments (Continued)

The District holds money market accounts through a custodial relationship with one bank acting as the District's agent to invest amounts in other financial institutions to provide full FDIC coverage. The monies held in this account are subject to six per month withdrawal limitations. There are no other limitations or restrictions on the money market accounts held by the District.

The District holds investments in a pooled Michigan Investment Liquid Asset Fund (MILAF) account which is a qualified local government investment pool for Michigan School Districts and is considered an external investment pool as defined by GASB and as such is recorded at amortized cost which approximates fair value. The District's investments under the interlocal agreement (MILAF – Michigan CLASS) in the amount of \$0 at year-end, are regulated by the Urban Cooperation Act. The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper, and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. There are no limitations or restrictions on withdrawals from the investments held in the MILAF account except for a one-day minimum investment period on the MILAF cash management funds and a fourteen-day redemption limitation on MILAF MAX Class funds.

Investment and Deposit Risk – The District's cash and investments are subject to several types of risk, as noted below.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, approximately \$1,400,000 of the District's uncollateralized bank deposits balance of approximately \$1,900,000 was uninsured.

Custodial Credit Risk – Investments – Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's investment policy does not restrict investment maturities beyond State law.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. See Note 1 for a full description of the allowed investments. The District's investment policy does not further limit its investment choice.

Concentration of Credit Risk – The District's investment policy does not limit investments with individual issuers.

Foreign Currency Risk – The District does not invest in foreign currency and does not maintain a policy regarding foreign currency risk.

Concord Community Schools
Notes to Financial Statements

Note 4 – Receivables

Receivables at year end totaling \$1,654,577 consisted primarily of amounts due from Michigan Department of Education.

Note 5 – Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Year-End Balance
Assets not being depreciated:				
Land	\$ 17,500	\$ -	\$ -	\$ 17,500
Total assets not being depreciated	<u>17,500</u>	<u>-</u>	<u>-</u>	<u>17,500</u>
Capital assets beings depreciated:				
Buildings and improvements	12,285,100	96,794	-	12,381,894
Site improvements	1,437,035	-	-	1,437,035
Buses and other vehicles	350,183	15,699	55,703	310,179
Furniture and equipment	1,216,649	100,100	6,065	1,310,684
Subtotal	<u>15,288,967</u>	<u>212,593</u>	<u>61,768</u>	<u>15,439,792</u>
Accumulated depreciation:				
Buildings and improvements	5,664,483	408,349	-	6,072,832
Site improvements	470,586	58,129	-	528,715
Buses and other vehicles	339,317	8,029	55,703	291,643
Furniture and equipment	353,924	162,736	6,065	510,595
Subtotal	<u>6,828,310</u>	<u>637,243</u>	<u>61,768</u>	<u>7,403,785</u>
Net capital assets being depreciated	<u>8,460,657</u>	<u>(424,650)</u>	<u>-</u>	<u>8,036,007</u>
Net capital assets	<u>\$ 8,478,157</u>	<u>\$ (424,650)</u>	<u>\$ -</u>	<u>\$ 8,053,507</u>

Depreciation for the fiscal year ended June 30, 2022 totaled \$637,243. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note 6 – Interfund Activity

At year-end, the General Fund was owed \$5,936 from the Student Activity Fund, \$2 from the Capital Project Fund, and \$41,454 from the Food Service Fund. \$69 was owed to the General Fund from other nonmajor funds. All of these amounts were owed for reimbursement of expenditures paid by one fund on behalf of another fund.

The Food Service Fund transferred a net amount of \$40,000 to the General Fund during the year for reimbursement of indirect costs.

Concord Community Schools
Notes to Financial Statements

Note 7 – Notes Payable

The District issued a State Aid Anticipation Note for the school year to allow for needed cash flow prior to receipt of State Aid in the amount of \$250,000 borrowed under a set-aside arrangement due in seven increments including interest at 0.11% of \$35,750 per month beginning January, 2022 and ending July, 2022. The State Aid Anticipation Note is secured by the full faith and credit of the School District as well as pledged State Aid. At year end, the outstanding balance, including interest, totaled \$35,750.

The activity related to State Aid Anticipation Notes for the year is as follows:

<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2022</u>
\$ 322,094	\$ 250,000	\$ 536,344	\$ 35,750

For the fiscal year ended June 30, 2023, the School District issued a State Aid Anticipation Note which totaled \$400,000, with an interest rate of 1.97% and payments required under a set-aside arrangement due in seven increments of \$58,168 each beginning January, 2023 and ending July, 2023.

Note 8 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and net pension and OPEB liabilities. See Note 10 for further details regarding the net pension and OPEB liabilities.

Long-term obligation activity can be summarized as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within One</u> <u>Year</u>
Governmental Activities:					
Bonds	\$ 5,300,000	\$ -	\$ 460,000	\$ 4,840,000	\$ 200,000
Compensated absences	126,000	-	19,000	107,000	16,000
Total governmental activities	<u>\$ 5,426,000</u>	<u>\$ -</u>	<u>\$ 479,000</u>	<u>\$ 4,947,000</u>	<u>\$ 216,000</u>

Concord Community Schools
Notes to Financial Statements

Note 8 – Long-Term Debt (Continued)

General obligation bonds consist of:

\$4,970,000 serial bonds due in annual installments of \$200,000 to \$355,000 through May 1, 2040; interest at 3.00% to 4.00%	<u>\$ 4,840,000</u>
Total bonded debt	<u><u>\$ 4,840,000</u></u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2023	\$ 200,000	\$ 177,925	\$ 377,925
2024	205,000	171,925	376,925
2025	210,000	165,775	375,775
2026	215,000	159,475	374,475
2027	220,000	153,025	373,025
2028-2032	1,250,000	636,125	1,886,125
2033-2037	1,505,000	366,125	1,871,125
2038-2040	1,035,000	73,150	1,108,150
Total	\$ 4,840,000	\$ 1,903,525	\$ 6,743,525

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of approximately \$301,000 available to pay this debt. Future debt and interest will be payable from future tax levies.

Note 9 – Leases

The District leases a portion of its bus fleet from CH&H Leasing, LLC. The lease runs through the 2022-23 school year with annual payments contingent upon how many buses are leased per year. In the 2021-22 school year, a total of seven buses were leased, with a total cost of \$103,503. The School is responsible for all insurance, maintenance and operation costs of the leased buses. The lease agreement also calls for mileage charges of 40 cents per mile over an annual 12,000 – 12,500 miles per bus allowance. Minimum required lease payments are expected to be approximately \$103,000 for the next fiscal year. Management has analyzed the bus lease and determined that the effect of implementing GASB Statement No. 87, *Leases*, is not material to the financial statements and thus has not been applied.

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions

Organization

Pension/OPEB Plan Description – The School District participates in the Michigan Public School Employees' Retirement System ("MPERS" or "the System"), a State-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees, and covers substantially all employees of the School District. There are currently approximately 680 participating employers in the System which meets the definition of a qualified pension trust fund under Section 401(a) of the Internal Revenue Code. In addition, the System maintains a health plan ("OPEB") which provides postemployment healthcare benefits to all eligible retirees as an elective option including health, prescription drug, dental, and vision coverage.

The System was originally created under Public Act 136 of 1945, recodified, and currently operates under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes a governing board and its authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report and are available on the ORS website at www.michigan.gov/orsschools. Information provided in this report includes financial data, actuarial assumptions data, and detailed information about the pension plan and OPEB plan fiduciary net positions.

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

A DB member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's right 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.

OPEB 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.

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

OPEB Benefits Provided (Continued) - To limit future liabilities of OPEB, 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 MPSERS, who earned service credit in the twelve months ending September 3, 2012 or were on an approved professional service 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.

Pension/OPEB Plan Contributions – Public Act 300 of 1980, as amended, requires contributions from both the participating employers and the active plan members. The School District, as a participating employer, is required to contribute amounts necessary to finance the coverage of pension and OPEB benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees (plan members) during the year, with an additional amount paid in to finance a portion of the unfunded actuarial accrued liability.

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 will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

Pension Plan Contributions – The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2021:

<u>Benefit Type</u>	<u>Member Rates</u>	<u>Status</u>
Basic (Defined Benefit)	0.0% - 4.0%	Closed
MIP (Defined Benefit)	3.0% - 7.0%	Closed
Pension Plus (Hybrid)	3.0% - 6.4%	Closed
Pension Plus 2 (Hybrid)	6.2%	Open
Defined Contribution	0.0%	Open

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

Pension Plan Contributions (Continued) – Employer contributions range from 13.39% to 19.78% and are determined based on employee elections. The District's required and actual contributions to the pension plan for the year ended September 30, 2021 were \$1,158,387. The District's required and actual pension contributions include an allocation of \$509,542 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2021.

OPEB Contributions – OPEB employee contributions in effect for the fiscal year ended September 30, 2021 range from 0% - 3%. Employer contributions range from 7.57% to 8.43% for the plan year ended September 30, 2021 and are determined based on employee elections. Required contributions to the OPEB plan from the District were \$284,642 for the year ended September 30, 2021. The District's required and actual OPEB contributions include an allocation of \$0 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2021.

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

Proportionate Share of School District's Net Pension Liability - At June 30, 2022, the District reported a liability of \$9,133,782 for its proportionate share of the MPSERS net pension liability which totaled \$23,675,412,475 for non-university employers in the MPSERS Plan year ended September 30, 2021. 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 proportionate share 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 statutorily required pension contributions from all applicable employers during the measurement period. At September 30, 2021, the District's proportionate share percent was .03857919 percent, a decrease of .00066531 percent from its proportion measured as of September 30, 2020.

Pension Expense - For the year ended June 30, 2022, the School District's pension expense was \$857,946, inclusive of payments to fund the MPSERS UAAL stabilization rate.

Proportionate Share of School District's Net OPEB Liability - At June 30, 2022, the District reported a liability of \$585,268 for its proportionate share of the MPSERS net OPEB liability which totaled \$1,526,377,890 for non-university employers in the MPSERS Plan year ended September 30, 2021. 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 proportionate share 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 statutorily required OPEB contributions from all applicable employers during the measurement period. At September 30, 2021, the District's proportionate share was .03834358 percent, a decrease of .000089094 percent from its proportion measured as of September 30, 2020.

OPEB Expense - For the year ended June 30, 2022, the School District recognized OPEB benefit of \$386,992.

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

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

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

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>Pension</u>	<u>OPEB</u>	<u>Pension</u>	<u>OPEB</u>
Difference between expected and actual experience	\$ 141,486	\$ -	\$ 53,787	\$ 1,670,606
Changes of assumptions	575,761	489,255	-	73,211
Net difference between projected and actual earnings on pension/OPEB plan investments	-	-	2,936,482	441,127
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	-	1,913	496,675	189,196
School District's contributions subsequent to the measurement date	<u>1,230,620</u>	<u>268,911</u>	<u>578,746</u>	<u>-</u>
Total	<u>\$ 1,947,867</u>	<u>\$ 760,079</u>	<u>\$ 4,065,690</u>	<u>\$ 2,374,140</u>

\$1,230,620, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

\$268,911, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

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

Year Ended <u>June 30</u>	<u>Pension</u>	<u>OPEB</u>
2023	\$(484,521)	\$(500,948)
2024	(681,857)	(462,398)
2025	(789,729)	(414,305)
2026	(813,590)	(358,255)
2027	-	(130,007)
2028	-	(17,059)

Payables to the Pension/OPEB Plan - The District reported an accrued pension/OPEB plan payable at June 30, 2022 of \$220,027. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2022 but not yet paid. The District is current on all required pension and OPEB plan payments. Amounts accrued at year end include current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State revenue Section 147c restricted to fund the MPSERS unfunded actuarial accrued liability (UAAL).

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions

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.

A summary of actuarial assumptions as of the latest actuarial valuation follows:

Valuation date	September 30, 2020
Actuarial cost method	Entry age, normal
Asset valuation method	Fair value
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans	6.80%, net of investment expenses
Pension Plus Plan	6.80%, net of investment expenses
Pension Plus 2 Plan	6.00%, net of investment expenses
OPEB	6.95%, net of investment expenses
Projected salary increases	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Cost of living pension adjustments	3.0 % annual non-compounded for MIP members
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Employee Disabled Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions (OPEB) – applies to individuals hired before September 4, 2012:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Additional assumption information includes the following:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liabilities beginning with the September 30, 2018 valuation. The total pension/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 – 4.4367 for pension plan employers and 6.1312 for OPEB plan employers.
- Recognition period for assets in years is 5.0000.
- 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 Rate of Return on Plan Assets – The long-term expected rate of return on pension/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 pension/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 pension/OPEB 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	16.0%	9.1%
International equity pools	15.0%	7.5%
Fixed income pools	10.5%	(0.7)%
Real estate and infrastructure pools	10.0%	5.4%
Absolute return pools	9.0%	2.6%
Real return/opportunistic pools	12.5%	6.1%
Short-term investment pools	2.0%	(1.3)%
Total	<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/OPEB plan investments, net of pension/OPEB plan investment expense, was 27.30% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - Discount rates of 6.80% and 6.95% were used to measure the total pension and OPEB liabilities, respectively (6.0% for the Pension Plus 2 plan). These discount rates were based on the long-term expected rates of return on pension and OPEB plan investments of 6.80% and 6.95%, respectively (6.0% for the Pension Plus 2 plan).

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Discount Rate (Continued) - The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on these assumptions, the pension/OPEB plans' 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/OPEB plan investments was applied to all periods of projected benefits payments to determine the total pension/OPEB liabilities.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School District's proportionate share of the net pension liability calculated using a discount rate of 6.80% (6.0% for the Pension Plus 2 Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
<u>\$13,058,832</u>	<u>\$9,133,782</u>	<u>\$5,879,659</u>

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the School 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 one percentage point lower or one percentage point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
<u>\$1,087,533</u>	<u>\$585,268</u>	<u>\$159,024</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the School District's proportionate share of the net OPEB liability calculated using the assumed healthcare cost trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$142,450</u>	<u>\$585,268</u>	<u>\$1,083,492</u>

Concord Community Schools
Notes to Financial Statements

Note 11 – Risk Management

The School District is exposed to various risks of loss-related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring all covered risks of loss, including employee health and accident insurance, workers' disability compensation, property and casual, errors and omissions, and fleet. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

Note 12 – Federal and State Grants

The District has received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 13 – Commitments

General Obligation Bonds were approved by the District electorate to improve infrastructure plus purchase various buses and furniture/equipment. The District has issued these bonds, both serial and term, dated September 14, 2022 totaling \$8,995,000 with interest payments due semi-annually commencing May 1, 2023. Serial bonds total \$5,760,000 with principal payments ranging from \$100,000 to \$700,000 and interest of 4.0% - 5.0%; the first principal payment is due May 1, 2024. Term bonds totaling \$3,235,000 are due May 1, 2040 – May 1, 2042 in amounts ranging from \$765,000 to \$1,270,000 plus interest at 4.0%.

Required Supplementary Information

Concord Community Schools
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Local sources	\$ 651,924	\$ 742,824	\$ 752,660
State sources	5,603,325	6,172,393	6,173,038
Federal sources	176,164	815,755	842,552
Interdistrict and other	342,333	358,465	359,149
Total revenues	<u>6,773,746</u>	<u>8,089,437</u>	<u>8,127,399</u>
Expenditures:			
Instruction:			
Basic programs	3,747,228	4,090,475	4,131,914
Added needs	955,701	1,042,055	1,040,737
Support services:			
Pupil	204,883	198,295	201,522
Instructional staff	165,584	240,735	270,315
School administration	303,543	347,982	350,448
Building administration	469,581	535,264	535,749
Business	128,772	136,273	133,144
Operation and maintenance	759,083	1,048,056	1,058,187
Pupil transportation	319,223	401,897	395,042
Information management services	67,625	60,396	60,395
Athletics	262,642	267,862	261,490
Community and welfare services	1,000	1,470	1,470
Total expenditures	<u>7,384,865</u>	<u>8,370,760</u>	<u>8,440,413</u>
Revenues Over (Under) Expenditures	<u>(611,119)</u>	<u>(281,323)</u>	<u>(313,014)</u>
Other Financing Sources (Uses):			
Operating transfers in	35,000	40,000	40,000
Total other financing sources (uses)	<u>35,000</u>	<u>40,000</u>	<u>40,000</u>
Net Changes in Fund Balances	(576,119)	(241,323)	(273,014)
Fund Balances - Beginning of Year	<u>1,284,383</u>	<u>1,284,383</u>	<u>1,284,383</u>
Fund Balances - End of Year	<u>\$ 708,264</u>	<u>\$ 1,043,060</u>	<u>\$ 1,011,369</u>

Concord Community Schools
 Budgetary Comparison Schedule - Food Service Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Local sources	\$ 24,800	\$ 33,457	\$ 39,047
State sources	42,165	20,693	21,286
Federal sources	649,000	595,623	585,151
Interdistrict and other	51,965	52,005	53,145
Total revenues	<u>767,930</u>	<u>701,778</u>	<u>698,629</u>
Expenditures:			
Food services	696,103	697,840	698,604
Capital outlay	-	-	-
Total expenditures	<u>696,103</u>	<u>697,840</u>	<u>698,604</u>
Revenues Over (Under) Expenditures	<u>71,827</u>	<u>3,938</u>	<u>25</u>
Other Financing Sources (Uses):			
Operating transfers in	-	-	-
Operating transfers out	(35,000)	(40,000)	(40,000)
Total other financing sources (uses)	<u>(35,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>
Net Changes in Fund Balances	36,827	(36,062)	(39,975)
Fund Balances - Beginning of Year	<u>534,574</u>	<u>534,574</u>	<u>534,574</u>
Fund Balances - End of Year	<u><u>\$ 571,401</u></u>	<u><u>\$ 498,512</u></u>	<u><u>\$ 494,599</u></u>

Concord Community Schools

Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan
Last Eight Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability (%)	<u>0.03858%</u>	<u>0.03924%</u>	<u>0.04019%</u>	<u>0.04212%</u>	<u>0.04216%</u>	<u>0.03963%</u>	<u>0.03762%</u>	<u>0.04093%</u>
District's proportionate share of net pension liability	<u>\$ 9,133,782</u>	<u>\$ 13,480,913</u>	<u>\$ 13,309,335</u>	<u>\$ 12,661,362</u>	<u>\$ 10,925,928</u>	<u>\$ 9,888,603</u>	<u>\$ 9,189,872</u>	<u>\$ 9,015,307</u>
District's covered payroll	<u>\$ 3,474,599</u>	<u>\$ 3,476,075</u>	<u>\$ 3,438,151</u>	<u>\$ 3,570,635</u>	<u>\$ 3,604,066</u>	<u>\$ 3,434,863</u>	<u>\$ 3,319,381</u>	<u>\$ 3,616,669</u>
District's proportionate share of net pension liability as a percentage of its covered payroll	<u>262.87%</u>	<u>387.82%</u>	<u>387.11%</u>	<u>354.60%</u>	<u>303.16%</u>	<u>287.89%</u>	<u>276.86%</u>	<u>249.27%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>72.60%</u>	<u>59.72%</u>	<u>60.31%</u>	<u>62.36%</u>	<u>64.21%</u>	<u>63.27%</u>	<u>63.17%</u>	<u>66.20%</u>

Concord Community Schools

Schedule of the District's Pension Contributions to the MPSERS Plan
Last Eight Fiscal Years (Amounts Determined Each Year as of June 30)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 1,312,410	\$ 1,116,546	\$ 1,099,152	\$ 1,025,905	\$ 1,086,372	\$ 987,951	\$ 877,263	\$ 708,840
Pension contributions in relation to statutorily required contributions	1,312,410	1,116,546	1,099,152	1,025,905	1,086,372	987,951	877,263	708,840
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,836,967	\$ 3,372,226	\$ 3,626,830	\$ 3,424,489	\$ 3,557,106	\$ 3,733,616	\$ 3,294,426	\$ 3,395,027
Pension contributions as a percentage of covered payroll	34.20%	33.11%	30.31%	29.96%	30.54%	26.46%	26.63%	20.88%

Concord Community Schools

Schedule of the District's Proportionate Share of the Net OPEB Liability of the MPSERS Plan
Last Five Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (%)	<u>0.03834%</u>	<u>0.03923%</u>	<u>0.03932%</u>	<u>0.04193%</u>	<u>0.04215%</u>
District's proportionate share of net OPEB liability	<u>\$ 585,268</u>	<u>\$ 2,101,898</u>	<u>\$ 2,822,635</u>	<u>\$ 3,333,307</u>	<u>\$ 3,732,663</u>
District's covered payroll	<u>\$ 3,474,599</u>	<u>\$ 3,476,075</u>	<u>\$ 3,438,151</u>	<u>\$ 3,570,635</u>	<u>\$ 3,604,066</u>
District's proportionate share of net OPEB liability as a percentage of its covered payroll	<u>16.84%</u>	<u>60.47%</u>	<u>82.10%</u>	<u>93.35%</u>	<u>103.57%</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>87.33%</u>	<u>59.44%</u>	<u>48.46%</u>	<u>42.95%</u>	<u>36.39%</u>

Concord Community Schools

Schedule of the District's OPEB Contributions to the MPSERS Plan
Last Five Fiscal Years (Amounts Determined Each Year as of June 30)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 301,160	\$ 296,806	\$ 287,861	\$ 266,878	\$ 251,928
OPEB contributions in relation to statutorily required contributions	<u>301,160</u>	<u>296,806</u>	<u>287,861</u>	<u>266,878</u>	<u>251,928</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	<u>\$ 3,836,967</u>	<u>\$ 3,372,226</u>	<u>\$ 3,626,830</u>	<u>\$ 3,424,489</u>	<u>\$ 3,557,106</u>
OPEB contributions as a percentage of covered payroll	<u>7.85%</u>	<u>8.80%</u>	<u>7.94%</u>	<u>7.79%</u>	<u>7.08%</u>

Concord Community Schools

Notes to Required Supplementary Information Pension and OPEB Schedules
Year Ended June 30, 2022

Changes of Benefit Terms: There were no changes of benefit terms in fiscal year 2021.

Changes of Assumptions: For the State's fiscal year ended September 30, 2021:

The recognition period for liabilities, an average of the expected remaining service lives of all employees, changed to 4.4367 from 4.4892 for pension plan employers and to 6.1312 from 5.9870 for OPEB plan employers.

The healthcare cost trend rate was split between two age groups - Pre-65, which used trend rates of 7.75% for Year 1 graded to 3.5% Year 15 and 3.0% for Year 120, and Post-65, which used trend rates of 5.25% for Year 1 graded to 3.5% for Year 15 and 3.0% for Year 120.

The prior healthcare cost trend rate was reported altogether with trend rates of 7.0% for Year 1 graded to 3.5% for Year 15.

Other Supplementary Information

Concord Community Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Capital Project Fund	Student Activities Fund	2010 Refunding Debt Fund	2018 Debt Retirement Fund	Sinking Fund	Total
<u>Assets</u>						
Cash	\$ 2	\$ 153,287	\$ 171,108	\$ 129,488	\$ -	\$ 453,885
Short-term investments	-	-	-	-	293,542	293,542
Due from other funds	-	-	32	16	21	69
Total assets	\$ 2	\$ 153,287	\$ 171,140	\$ 129,504	\$ 293,563	\$ 747,496
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ -	\$ 12,904	\$ -	\$ -	\$ -	\$ 12,904
Due to other funds	2	7,936	-	-	-	7,938
Total liabilities	2	20,840	-	-	-	20,842
Fund balances:						
Restricted	-	132,447	171,140	129,504	293,563	726,654
Total fund balances	-	132,447	171,140	129,504	293,563	726,654
Total liabilities and fund balances	\$ 2	\$ 153,287	\$ 171,140	\$ 129,504	\$ 293,563	\$ 747,496

Concord Community Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2022

	<u>Capital Project Fund</u>	<u>Student Activities Fund</u>	<u>2010 Refunding Debt Fund</u>	<u>2018 Debt Retirement Fund</u>	<u>Sinking Fund</u>	<u>Total</u>
Revenues:						
Local sources	\$ 10	\$ 182,264	\$ 482,506	\$ 237,157	\$ 319,217	\$ 1,221,154
Total revenues	<u>10</u>	<u>182,264</u>	<u>482,506</u>	<u>237,157</u>	<u>319,217</u>	<u>1,221,154</u>
Expenditures:						
Student activities	-	174,241	-	-	-	174,241
Debt service	-	-	426,400	229,300	-	655,700
Capital outlay	14,828	-	-	-	129,634	144,462
Total expenditures	<u>14,828</u>	<u>174,241</u>	<u>426,400</u>	<u>229,300</u>	<u>129,634</u>	<u>974,403</u>
Net Changes in Fund Balances	(14,818)	8,023	56,106	7,857	189,583	246,751
Fund Balances - Beginning of Year	<u>14,818</u>	<u>124,424</u>	<u>115,034</u>	<u>121,647</u>	<u>103,980</u>	<u>479,903</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 132,447</u>	<u>\$ 171,140</u>	<u>\$ 129,504</u>	<u>\$ 293,563</u>	<u>\$ 726,654</u>

Concord Community Schools
Schedule of Bonded Indebtness
June 30, 2022

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Fiscal Year Interest Requirements</u>	<u>Amount of Annual Maturity</u>	<u>Bonds Outstanding June 30, 2022</u>
2018 School Building & Site Bonds	February 16, 2018	\$ 4,970,000	3.000%	5/1/2023	\$ 177,925	\$ 200,000	\$ 200,000
			3.000%	5/1/2024	171,925	205,000	205,000
			3.000%	5/1/2025	165,775	210,000	210,000
			3.000%	5/1/2026	159,475	215,000	215,000
			3.000%	5/1/2027	153,025	220,000	220,000
			4.000%	5/1/2028	146,425	230,000	230,000
			4.000%	5/1/2029	137,225	240,000	240,000
			4.000%	5/1/2030	127,625	250,000	250,000
			4.000%	5/1/2031	117,625	260,000	260,000
			4.000%	5/1/2032	107,225	270,000	270,000
			4.000%	5/1/2033	96,425	280,000	280,000
			4.000%	5/1/2034	85,225	290,000	290,000
			4.000%	5/1/2035	73,625	300,000	300,000
			4.000%	5/1/2036	61,625	310,000	310,000
			4.000%	5/1/2037	49,225	325,000	325,000
			3.500%	5/1/2038	36,225	335,000	335,000
			3.500%	5/1/2039	24,500	345,000	345,000
			3.500%	5/1/2040	12,425	355,000	355,000
							<u>\$ 4,840,000</u>

Concord Community Schools

Single Audit Report

Year Ended June 30, 2022

Contents

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1 - 2
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	3 - 5
Schedule of Expenditures of Federal Awards.....	6 - 7
Schedule of Reconciliation of Revenues with Schedule of Expenditures of Federal Awards.....	8
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs.....	10 -11
Comments on Resolution of Findings from June 30, 2021.....	12
Corrective Action Plan.....	13



**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***

Board of Education
Concord Community Schools
Concord, Michigan

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

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Board of Education
Concord Community Schools
Concord, Michigan

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Concord Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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*.

Concord Community Schools' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Concord Community Schools' response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Concord Community Schools' 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.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 30, 2022



WILLIS & JURASEK

CPAS AND CONSULTANTS

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education
Concord Community Schools
Concord, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Concord Community Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Concord Community Schools' major federal programs for the year ended June 30, 2022. Concord Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under these 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 Concord Community Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Concord Community Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Board of Education
Concord Community Schools
Concord, Michigan

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

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

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

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

Report on Internal Control Over Compliance

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

Board of Education
Concord Community Schools
Concord, Michigan

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.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Concord Community Schools as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Concord Community Schools' basic financial statements. We issued our report thereon dated September 30, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 30, 2022

Concord Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal ALN</u>	<u>Pass-through Grantor's Number</u>	<u>Award/Grant Entitlement Program Amount</u>	<u>Accrued (Unearned) Revenue 7/1/2021</u>	<u>Prior Years Expenditures (Memorandum Only)</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued (Unearned) Revenue 6/30/2022</u>
U.S. Department of Agriculture:								
Child Nutrition Cluster:								
Passed through Michigan Department of Education:								
Non-cash Assistance (Commodities):								
National School Lunch Program - Regular	10.555		\$ 38,557	\$ -	\$ -	\$ 38,557	\$ 38,557	\$ -
National School Lunch Program - Bonus	10.555		2,221	-	-	2,221	2,221	-
			<u>40,779</u>	<u>-</u>	<u>-</u>	<u>40,779</u>	<u>40,779</u>	<u>-</u>
Cash Assistance:								
COVID-19 National School Lunch Program	10.555	211961	41,271	-	-	41,271	41,271	-
COVID-19 National School Lunch Program	10.555	221961	276,770	-	-	276,770	276,770	-
COVID-19 National School Lunch Program	10.555	220910	16,047	-	-	16,047	6,400	(9,646)
			<u>334,088</u>	<u>-</u>	<u>-</u>	<u>334,088</u>	<u>324,441</u>	<u>(9,646)</u>
Total National School Lunch Program			<u>374,866</u>	<u>-</u>	<u>-</u>	<u>374,866</u>	<u>365,220</u>	<u>(9,646)</u>
COVID-19 School Breakfast Program	10.553	211971	13,573	-	-	13,573	13,573	-
COVID-19 School Breakfast Program	10.553	221971	96,436	-	-	96,436	96,436	-
			<u>110,009</u>	<u>-</u>	<u>-</u>	<u>110,009</u>	<u>110,009</u>	<u>-</u>
Summer Food Service Program	10.559	210904	171,366	76,289	443,240	171,366	101,503	6,426
			<u>171,366</u>	<u>76,289</u>	<u>443,240</u>	<u>171,366</u>	<u>101,503</u>	<u>6,426</u>
Total Cash Assistance			<u>615,462</u>	<u>76,289</u>	<u>443,240</u>	<u>615,462</u>	<u>535,953</u>	<u>(3,220)</u>
Total Child Nutrition Cluster			<u>656,241</u>	<u>76,289</u>	<u>443,240</u>	<u>656,241</u>	<u>576,732</u>	<u>(3,220)</u>
Child and Adult Care Food Program	10.558	211920	77	77	-	77	-	-
Child and Adult Care Food Program	10.558	211950	7,960	-	-	7,960	7,960	-
			<u>8,037</u>	<u>77</u>	<u>-</u>	<u>8,037</u>	<u>7,960</u>	<u>-</u>
Pandemic EBT Local Level Costs	10.649	210980	614	-	-	614	614	-
			<u>614</u>	<u>-</u>	<u>-</u>	<u>614</u>	<u>614</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>664,892</u>	<u>76,366</u>	<u>443,240</u>	<u>664,892</u>	<u>585,306</u>	<u>(3,220)</u>

See Accompanying Footnotes.

Concord Community Schools
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022

U.S. Department of Education:

Passed through Michigan Department of Education:

Title I Grants to Local Educational Agencies	84.010	211530-2021	99,607	6,988	99,153	7,439	451	-
Title I Grants to Local Educational Agencies	84.010	221530-2122	<u>84,493</u>	<u>-</u>	<u>-</u>	<u>54,254</u>	<u>84,493</u>	<u>30,239</u>
			<u>184,100</u>	<u>6,988</u>	<u>99,153</u>	<u>61,693</u>	<u>84,944</u>	<u>30,239</u>
Supporting Effective Instruction State Grants	84.367	210520-2021	23,502	4,903	21,859	5,428	525	-
Supporting Effective Instruction State Grants	84.367	220520-2122	<u>20,170</u>	<u>-</u>	<u>-</u>	<u>20,170</u>	<u>20,170</u>	<u>-</u>
			<u>43,672</u>	<u>4,903</u>	<u>21,859</u>	<u>25,598</u>	<u>20,695</u>	<u>-</u>
Student Support and Academic Enrichment	84.424	220750-2122	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
			<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Education Stabilization Fund								
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201200-2021	41,749	10,354	41,749	10,354	-	-
COVID-19 Governor's Emergency Education Relief Fund (GEER II Teacher and Support Staff Payments)	84.425C	211202-2122	15,000	-	-	15,000	15,000	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Program K-8)	84.425D	213722-2122	46,200	-	-	-	34,974	34,974
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Credit Recovery 9-12)	84.425D	213742-2122	19,800	-	-	8,866	16,197	7,331
COVID-19 Governor's Emergency Education Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	290,159	-	35,117	255,042	255,042	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	652,119	-	-	-	386,018	386,018
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Equalization Funds)	84.425U	213723-2122	<u>60,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,341</u>	<u>16,341</u>
Total 84.425 and Education Stabilization Fund			<u>1,125,314</u>	<u>10,354</u>	<u>76,866</u>	<u>289,262</u>	<u>723,572</u>	<u>444,664</u>
Total passed through Michigan Department of Education			<u>1,363,086</u>	<u>22,245</u>	<u>197,878</u>	<u>386,553</u>	<u>839,211</u>	<u>474,903</u>

Passed through Jackson County ISD:

Homeless Students Assistance Grant	84.196	2021-2022	<u>1,487</u>	<u>-</u>	<u>-</u>	<u>1,487</u>	<u>1,487</u>	<u>-</u>
Total U.S. Department of Education			<u>1,364,573</u>	<u>22,245</u>	<u>197,878</u>	<u>388,040</u>	<u>840,697</u>	<u>474,903</u>

U.S. Department of Health and Human Services:

Passed through Jackson County ISD:

Medicaid Outreach	93.778	2021-2022	<u>1,701</u>	<u>-</u>	<u>-</u>	<u>1,701</u>	<u>1,701</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>1,701</u>	<u>-</u>	<u>-</u>	<u>1,701</u>	<u>1,701</u>	<u>-</u>

			<u>\$ 2,031,166</u>	<u>\$ 98,611</u>	<u>\$ 641,118</u>	<u>\$ 1,054,633</u>	<u>\$ 1,427,704</u>	<u>\$ 471,683</u>
--	--	--	---------------------	------------------	-------------------	---------------------	---------------------	-------------------

See Accompanying Footnotes.

Concord Community Schools
Schedule of Reconciliation of Revenues with
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

	<u>Amount</u>
Revenue from federal sources - per financial statements (includes all funds)	\$ <u>1,427,704</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u>1,427,704</u>

Concord Community Schools
Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Concord Community Schools (the "District") under 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 presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenue is recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports with any reconciling items. The amounts on the Grant Auditor Report reconcile with this schedule. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities and the expenditures include any spoilage or pilferage.

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by Section 200.414 of the Uniform Guidance.

Note 3 – Subrecipients

No federal awards were passed through the District to any subrecipients during the year.

Concord Community Schools
 Schedule of Findings and Questioned Costs
 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 weakness identified	_____ yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	<u> X </u> yes _____ none reported
Noncompliance material to financial statements noted	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs:	
Material weakness identified	_____ yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u> X </u> 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)	_____ yes <u> X </u> no

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 750,000 </u>
--	-----------------------

Auditee qualified as low-risk	_____ yes <u> X </u> no
-------------------------------	---------------------------

Section II – Financial Statement Findings

2022-001 – Budget Overage

Criteria or Specific Requirement: It is management’s responsibility to prepare the financial statements in accordance with generally accepted accounting principles (GAAP) and implement adequate controls over financial reporting including the budget.

Condition: As noted in the supplementary information of the audit report, there were several functions where expenditures exceeded the budget.

Cause and Effect: The most significant overage was due to an audit adjustment to record a capital lease for bus purchases in the transportation function. There is potential for material misstatements due to the weaknesses identified in internal control.

Concord Community Schools
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Section II – Financial Statement Findings (Continued)

2022-001 – Budget Overage (Continued)

Recommendation: We recommend management review control procedures in these areas to determine appropriate steps to improve and tighten control.

Views of Responsible Officials and Planned Corrective Action: We will be reviewing our budgeting procedure to ensure adequate budget amounts are approved to allow for year-end adjustments. This update is expected to be completed by June 30, 2023.

Section III – Federal Award Findings and Questioned Costs

None

Concord Community Schools
Comments on Resolution of Findings from June 30, 2021
Single Audit Report

Financial Statement Findings

None reported

Federal Award Findings and Questioned Costs

None reported

Concord Community Schools

405 S. Main St.
P.O. Box 338
Concord, MI 49237



Ph: (517) 524-8850
Fax: (517) 524-8613

www.concordschools.net

Corrective Action Plan
Fiscal Year 2021-2022

Finding 2022-001 Budget Overage

We have reviewed our budgeting procedures and will be implementing changes to ensure budget reporting is appropriate and accurate. The overage was primarily due to classroom sound systems ordered at the end of May, which were delivered much earlier than anticipated and therefore needed to be expensed in FY22. This expense was offset with Federal ESSER III revenue and did not affect the overall financial health of the organization. Additionally, an overage occurred due to an unexpected retirement from a teacher at the end of July, which resulted in additional expenses for payout of her severance.

Anticipated Completion Date:

We anticipate this will be corrected – 6/30/2023

Sincerely,

Jenny Natter
LEA Business Manager
Concord Community Schools



WILLIS & JURASEK

CPAS AND CONSULTANTS

September 30, 2022

To the Board of Education
Concord Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Concord Community Schools for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the *Uniform Guidance*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Concord Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management has estimated the value of capitalized assets and the related accumulated depreciation. Much of the estimate of fixed asset balances was established based upon an appraisal performed in a prior year. The corresponding depreciation is based on estimated lives and use of those respective assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements contain estimates for the net pension liability and the net OPEB liability and related deferred inflows and deferred outflows of resources. This information has been provided by ORS to all school districts participating in the MPSERS program. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Management has also estimated the liability for employee compensated absences. We have evaluated the key factors and assumptions used to develop the liability for compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

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

To the Board of Education
Concord Community Schools

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as per the auditors' report.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

During our audit, we noted that the fund balance for the Food Service Fund exceeded three months of expenditures. We recommend that the District continue to work with the State on a plan to spend down the excess.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Budgetary Comparison Schedules, and the schedules and notes related to the net pension liability and the net OPEB liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

To the Board of Education
Concord Community Schools

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Concord Community Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.