

Onekama Consolidated Schools

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2022

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MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Onekama Consolidated School’s (the “School District”) annual financial report presents a discussion and analysis of the School District’s financial performance during the fiscal year that ended on June 30, 2022. It is to be read in conjunction with the School District’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District’s financial status increased during the year due to the School District using the three year averaging method for the student count and control of expenditures.
- The State of Michigan foundation grant increased to \$8,700 for the current year, with the prior year being at \$8,529.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

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

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the School District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

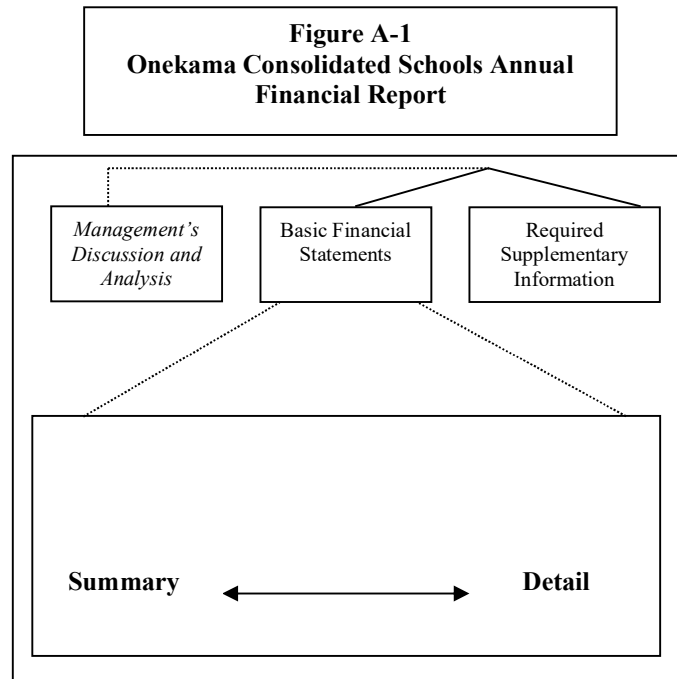


Figure A-2		
Major Features of District-Wide and Fund Financial Statements		
	District-wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire district	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance.
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.

Figure A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include *all* of the School District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the School District’s *net position* and how they have changed. Net assets, the difference between the School District’s assets and liabilities, are one way to measure the School District’s financial health or *position*.

- Over time, increases or decreases in the School District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the School District, consideration must be given to additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the School District's activities:

- *Governmental activities* – Most of the School District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the School District's *funds*, focusing on its most significant or "major" funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and manage money for particular purposes (repayment of long-term debt) or to show that it is properly using certain revenues (like school lunch).

The School District has one kind of fund:

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

For the fiscal year ended June 30, the results of operations, on a district-wide basis, were as follows:

Table A-3

	<u>2021</u>	<u>2022</u>
Assets		
Current and other assets	\$ 1,956,289	\$ 2,050,079
Capital assets	<u>14,824,889</u>	<u>14,588,143</u>
Total assets	<u>16,781,178</u>	<u>16,638,222</u>
Deferred outflows of resources	<u>1,873,665</u>	<u>1,208,985</u>
Total assets and deferred outflows of resources	<u>\$ 18,654,843</u>	<u>\$ 17,847,207</u>
Liabilities		
Long-term debt outstanding	\$ 12,277,576	\$ 11,354,632
Other liabilities	631,233	576,974
Net pension liability	6,626,225	4,251,311
Net OPEB liability	<u>983,592</u>	<u>265,842</u>
Total liabilities	<u>20,518,626</u>	<u>16,448,759</u>
Deferred inflows of resources	<u>1,344,246</u>	<u>3,175,463</u>
Net position		
Net investment in capital assets	3,094,067	3,734,438
Restricted for		
Capital projects	144,239	87,388
Food service	194,433	153,594
Unrestricted (deficit)	<u>(6,640,768)</u>	<u>(5,752,435)</u>
Total net position	<u>(3,208,029)</u>	<u>(1,777,015)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 18,654,843</u>	<u>\$ 17,847,207</u>

For the fiscal year ended June 30, the results of operations, on a district-wide basis were as follows:

Table A-4

	2021	2022
Revenues		
Property taxes, levied for general purposes	\$ 3,098,886	\$ 3,156,370
Property taxes, levied for debt services	1,293,360	1,288,017
Property taxes, levied for sinking fund	322,662	328,557
State aid not restricted to specific purposes	361,870	372,519
Interest and other	62,966	171,281
Charges for services	228,004	330,679
Operating grants and contributions	1,033,076	997,789
Capital grants and contributions	7,858	-
	<u>6,408,682</u>	<u>6,645,212</u>
Expenses		
Instruction	2,250,937	1,875,708
Support services	1,679,194	1,597,797
Community services	573	1,740
Food services	274,984	315,921
Student activities	50,581	86,510
Leaps and bounds	187,523	295,281
Other	13,900	8,000
Interest on long-term debt	514,745	480,834
Depreciation-unallocated	533,347	552,407
	<u>5,505,784</u>	<u>5,214,198</u>
Change in net position	902,898	1,431,014
Net position - beginning of year	<u>(4,110,927)</u>	<u>(3,208,029)</u>
Net position - end of year	<u>\$ (3,208,029)</u>	<u>\$ (1,777,015)</u>

PENSION AND OPEB EXPENSE

GASB 68 and GASB 75 require the School District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the School District's change in net position. Based on various factors, the School District may report an increase or decrease in net position depending on whether the School District's proportionate share of the net pension and net OPEB liabilities increases or decreases in any given year. For the year ended June 30, 2022, the School District recorded \$4,251,311 and \$265,842 as their proportionate share of the net pension and net OPEB liabilities, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the School District as a whole is reflected in its governmental funds as well. As the School District completed the year, its governmental funds reported combined fund balances of \$1,543,209; an increase of \$142,129 from last year's ending fund balances of \$1,401,080.

General Fund Budgetary Highlights

Over the course of the year, the School District revised the annual operating budget several times. These budget amendments are as follows:

- Changes made in the third and fourth quarters to account for final enrollment counts, staffing assignments and changes in grant funding since the original budget was adopted.
- While the final budget for the general fund anticipated that revenues and expenditures would reflect an increase of \$1,638, the actual results for the year show an increase of \$114,090. The increase was mainly due to adopting a conservative final budget and controlling expenditures.
- Actual revenues were \$4,276,804 or \$31,255 more than expected, due primarily to final grant allocations.
- Actual expenditures were \$4,088,789 or \$76,942 below budget, due primarily to conservative budgeting and monitoring expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Depreciable assets for the 2021-2022 school year totaled \$21,828,576. A summary of capital assets follows:

Table A-5
OCS's Capital Assets

	2021	Additions	Deletions	2022
Capital assets not being depreciated				
Land	\$ 401,966	\$ -	\$ -	\$ 401,966
Construction-in-progress	136,600	-	(136,600)	-
Total non-depreciable	538,566	-	(136,600)	401,966
Capital assets being depreciated				
Building and building improvements	19,968,968	387,474	-	20,356,442
Buses and other vehicles	436,346	-	-	436,346
Furniture and equipment	971,001	64,787	-	1,035,788
Gross capital assets	21,376,315	452,261	-	21,828,576
Less accumulated depreciation	(7,089,992)	(552,407)	-	(7,642,399)
Net governmental capital assets	\$ 14,824,889	\$ (100,146)	\$ (136,600)	\$ 14,588,143

Long-term Debt

At year-end the School District had \$10,445,000 in general obligation bonds and \$12,211 in note payable obligations.

Table A-6
The School District's Outstanding Long-Term Debt

	<u>2021</u>	<u>Net Additions/(Payments)</u>	<u>2022</u>
General obligation bonds (financed with property taxes)	\$ 11,265,000	\$ (820,000)	\$ 10,445,000
Note payable	23,938	(11,727)	12,211
Unamortized bond premium	805,720	(78,526)	727,194
Early retirement incentives	48,360	(10,016)	38,344
Accumulated sick & vacation	134,558	(2,675)	131,883
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 12,277,576</u>	<u>\$ (922,944)</u>	<u>\$ 11,354,632</u>

Additional information on the School District's long-term debt can be found in Note F on page 19 of this report.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

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

- The 2022-2023 foundation allowance will increase to \$9,150 however the District is an "out of formula" which means the majority of revenue will come from property taxes and the School District will no longer rely on the foundation allowance.
- The Board of Education and the Onekama Education Association have a contract through August 31, 2022. The School District is in the process of negotiating a new contract.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Onekama Consolidated School District Business Office at 772 E Parkdale Ave, Manistee, MI, 49660.



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INDEPENDENT AUDITOR'S REPORT

Board of Education
 Onekama Consolidated Schools

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vii, budgetary comparison information on page 37, Pension contribution schedule on page 39 and OPEB contribution schedule on page 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan
October 25, 2022

Onekama Consolidated Schools

STATEMENT OF NET POSITION

June 30, 2022

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,863,088
Accounts receivable	2,161
Due from other governments	176,208
Prepaid expenses	<u>8,622</u>
Total current assets	2,050,079
Non-current assets	
Capital assets, net of accumulated depreciation	<u>14,588,143</u>
Total assets	<u>16,638,222</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	297,564
Deferred outflows for pension liability	583,231
Deferred outflows for OPEB liability	<u>328,190</u>
Total deferred outflows of resources	<u>1,208,985</u>
Total assets and deferred outflows of resources	<u>\$ 17,847,207</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 47,447
Salaries payable and related liabilities	338,944
Accrued interest	70,104
Unearned revenue	120,479
Current portion of long-term liabilities	<u>961,989</u>
Total current liabilities	1,538,963
Non-current portion of long-term liabilities	10,392,643
Net pension liability	4,251,311
Net OPEB liability	<u>265,842</u>
Total liabilities	<u>16,448,759</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows for pension liability	1,971,762
Deferred inflows for OPEB liability	<u>1,203,701</u>
Total deferred inflows of resources	<u>3,175,463</u>
NET POSITION	
Net investment in capital assets	3,734,438
Restricted for	
Capital projects	87,388
Food Service	153,594
Unrestricted (deficit)	<u>(5,752,435)</u>
Total net position	<u>(1,777,015)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 17,847,207</u>

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

Onekama Consolidated Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Functions/Program	Expenses	Charges For Services	Program Revenues		Net (Expense)/ Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 1,875,708	\$ -	\$ 260,326	\$ -	(1,615,382)
Supporting services	1,597,797	67,398	363,174	-	(1,167,225)
Community services	1,740	-	-	-	(1,740)
Food Service	315,921	44,242	261,780	-	(9,899)
Student Activities	86,510	-	-	-	(86,510)
Leaps and Bounds	295,281	219,039	112,509	-	36,267
Other	8,000	-	-	-	(8,000)
Interest on long-term debt	480,834	-	-	-	(480,834)
Depreciation, unallocated	552,407	-	-	-	(552,407)
Total governmental activities	<u>\$ 5,214,198</u>	<u>\$ 330,679</u>	<u>\$ 997,789</u>	<u>\$ -</u>	<u>(3,885,730)</u>
General purpose revenues					
Property taxes					
Levied for general purposes					3,156,370
Levied for Debt Service					1,288,017
Levied for Sinking Fund					328,557
State school aid - unrestricted					372,519
Investments and other					171,281
Total general purpose revenues					<u>5,316,744</u>
Change in net position					1,431,014
Net position, beginning of year					<u>(3,208,029)</u>
Net position, end of year					<u>\$ (1,777,015)</u>

-6- The accompanying notes are an integral part of these financial statements.

Onekama Consolidated Schools

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

	Major Funds				Non-major Governmental Funds	Total Governmental Funds
	General Fund	Leaps and Bounds	2016 Debt Retirement Fund	Capital Projects Fund		
ASSETS						
Cash and cash equivalents	\$ 944,967	\$ 152,947	\$ 63,922	\$ 246,817	\$ 454,435	\$ 1,863,088
Accounts receivable	-	1,959	-	-	202	2,161
Due from other governments	166,511	129	-	-	9,568	176,208
Due from other funds	-	28,866	-	-	35,804	64,670
Prepaid expenditures	6,805	-	-	-	1,817	8,622
Total assets	<u>\$ 1,118,283</u>	<u>\$ 183,901</u>	<u>\$ 63,922</u>	<u>\$ 246,817</u>	<u>\$ 501,826</u>	<u>\$ 2,114,749</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 6,744	\$ -	\$ -	\$ -	\$ 40,703	\$ 47,447
Salaries payable and related liabilities	334,205	2,433	-	-	2,306	338,944
Due to other funds	49,286	15,384	-	-	-	64,670
Unearned revenue	23,262	85,770	-	-	11,447	120,479
Total liabilities	<u>413,497</u>	<u>103,587</u>	<u>-</u>	<u>-</u>	<u>54,456</u>	<u>571,540</u>
FUND BALANCES						
Nonspendable - prepaids	6,805	-	-	-	1,817	8,622
Restricted						
Debt Service	-	-	63,922	-	53,825	117,747
Capital Projects	-	-	-	-	87,388	87,388
Food Service	-	-	-	-	151,777	151,777
Committed						
Leaps and Bounds	-	80,314	-	-	-	80,314
Student Activities	-	-	-	-	152,563	152,563
Assigned						
Building improvements	-	-	-	246,817	-	246,817
Compensated absences	131,883	-	-	-	-	131,883
Unassigned	566,098	-	-	-	-	566,098
Total fund balances	<u>704,786</u>	<u>80,314</u>	<u>63,922</u>	<u>246,817</u>	<u>447,370</u>	<u>1,543,209</u>
Total liabilities and fund balances	<u>\$ 1,118,283</u>	<u>\$ 183,901</u>	<u>\$ 63,922</u>	<u>\$ 246,817</u>	<u>\$ 501,826</u>	

Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position

Amounts reported for governmental activities in the statement of net position are different because: Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$22,230,542 and the accumulated depreciation is \$7,642,399. 14,588,143

Deferred outflows of resources is not a financial resource and, therefore, is not reported as an asset in governmental funds. 1,208,985

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	\$ 10,445,000	
Notes payable	12,211	
Unamortized bond premium	727,194	
Accrued interest on bonds	70,104	
Early retirement incentive liability	38,344	
Accumulated leave liability	131,883	
Net pension liability	4,251,311	
Net OPEB liability	<u>265,842</u>	(15,941,889)

Deferred inflows of resources is not a financial resource and, therefore, is not reported as a liability in governmental funds. (3,175,463)

Total net position - governmental activities \$ (1,777,015)

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

Onekama Consolidated Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2022

	Major Funds				Non-major Governmental Funds	Total Governmental Funds
	General Fund	Leaps and Bounds	2016 Debt Retirement Fund	Capital Projects Fund		
Revenues						
Property taxes	\$ 3,156,370	\$ -	\$ 825,652	\$ -	\$ 790,922	\$ 4,772,944
Interest	1,461	50	217	339	489	2,556
State revenues	623,339	-	-	-	19,879	643,218
Federal revenues	359,726	112,509	-	-	241,900	714,135
Other	135,908	228,135	-	2,747	145,569	512,359
Total revenues	4,276,804	340,694	825,869	3,086	1,198,759	6,645,212
Expenditures						
Instruction	2,316,358	-	-	-	-	2,316,358
Supporting services	1,743,643	-	-	-	-	1,743,643
Community services	1,740	-	-	-	-	1,740
Food Service	-	-	-	-	315,921	315,921
Leaps and Bounds	-	295,281	-	-	-	295,281
Student Activities	-	-	-	-	86,510	86,510
Debt Service						
Principal	19,227	-	520,000	-	300,000	839,227
Interest	3,018	-	289,000	-	161,600	453,618
Other	-	-	500	-	-	500
Capital outlay	27,048	-	-	-	423,237	450,285
Total expenditures	4,111,034	295,281	809,500	-	1,287,268	6,503,083
REVENUES OVER EXPENDITURES	165,770	45,413	16,369	3,086	(88,509)	142,129
Other financing sources (uses)						
Interfund transfers in	-	-	-	50,000	1,680	51,680
Interfund transfers out	(51,680)	-	-	-	-	(51,680)
Total other financing sources (uses)	(51,680)	-	-	50,000	1,680	-
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	114,090	45,413	16,369	53,086	(86,829)	142,129
Fund balances, beginning of year	590,696	34,901	47,553	193,731	534,199	1,401,080
Fund balances, end of year	\$ 704,786	\$ 80,314	\$ 63,922	\$ 246,817	\$ 447,370	\$ 1,543,209

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

Onekama Consolidated Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Total net change in fund balances - governmental funds	\$	142,129
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.</p>		
	Capital outlays \$	315,661
	Depreciation expense	<u>(552,407)</u>
		(236,746)
Change in deferred outflows of resources for loss on refunding of bonds.		(33,136)
Change in deferred outflows of resources for pension liability of \$(520,646) and OPEB liability of \$(110,898).		(631,544)
In the statement of activities, compensated absences and early retirement incentives are measured by the amount earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amount actually paid). This year, accumulated leave earned was less than the amounts used by \$2,675. Early retirement incentives provided to employees, net of payments were \$10,016.		12,691
Repayment of bond principal and notes payable are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net position and do not affect the statement of activities.		831,727
Net amortization of bond premium.		78,526
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities however, interest expense is recognized as the interest accrues, regardless of when it is due. The lower amount of interest reported in the statement of activities is the net result of the decrease in accrued interest on bonds payable.		5,920
Decrease in net pension liability.		2,374,914
Decrease in net OPEB liability.		717,750
Change in deferred inflows of resources for pension liability of \$(1,557,865) and OPEB liability of \$(273,352).		<u>(1,831,217)</u>
Change in net position of governmental activities	\$	<u>1,431,014</u>

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

Onekama Consolidated Schools

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Onekama Consolidated Schools (the "School District") is a Michigan public school district consisting of one K-12 building. The School District primarily serves the Onekama and Arcadia communities. As of June 30, 2022, the School District employed 21 professional staff and 15 non-professional staff, and had 335 students enrolled within its School District.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The School District is considered to be a local government unit.

The accounting and reporting framework and the more significant accounting principles and practices of the School District are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2022.

Financial Reporting Entity

Onekama Consolidated Schools is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other State and local governments. The financial reporting entity of Onekama Consolidated Schools includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature and significance of their relationship with the School District, must be included to prevent the School District's financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, management has not identified any component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole. Individual funds are not displayed.

NOTES TO FINANCIAL STATEMENTS - Continued

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the School District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School District's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School District are prepared in accordance with generally accepted accounting principles ("GAAP"). The School District's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

The government-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available, if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

NOTES TO FINANCIAL STATEMENTS - Continued

Fund Types and Major Funds

Activities in Major Funds

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

The Leaps and Bounds Fund is a Special Revenue Fund used to account for the proceeds of the early childhood education program that are restricted for the Leaps and Bounds Fund.

The 2016 Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, bond principal, interest and related costs.

The 2017 Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of capital assets.

Activities in Non-major Funds

Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are committed or restricted to expenditures for specified purposes. The non-major Special Revenue Funds maintained by the School District are the Food Service Fund and Student Activity Funds.

Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of, bond principal, interest and related costs.

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

Cash and Cash Equivalents

The School District reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 5 to 50 years. The School District generally capitalizes assets with costs of \$5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land or construction-in-process. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

NOTES TO FINANCIAL STATEMENTS - Continued

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	7-50 years
Buses and vehicles	8 years
Furniture and equipment	5-20 years

Long-term Debt and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as a liability. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

Deferred Inflows and Outflows

In addition to assets and liabilities, the statement of financial position includes separate sections for deferred outflows of resources and deferred inflows of resources. The separate financial statement elements, deferred outflows and inflows of resources, represent a consumption/addition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or inflows of resources (revenue) until then. The School District's items that qualify for reporting in this category are the items related to the loss on bond refunding and pension and OPEB obligations. See Note I for details of deferred outflows and inflows related to the pension obligation, and Note J for the OPEB obligation.

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the School District Board through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the School District Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the School District's general revenues.

The School District's most significant program revenues are Title I, At-Risk, National School Lunch Program, and Elementary and Secondary School Emergency Relief (ESSER) funds which are reported as operating grants and contributions.

Spending Policy

When both restricted and unrestricted fund balances are available for use, it is the School District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

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. Investments are reported at fair value.

Post-Employment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System ("MPERS") and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as 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. Investments are reported at fair value.

Encumbrance Accounting

The School District formally records encumbrances in the accounting records during the year as a normal practice. In accordance with generally accepted accounting principles, outstanding encumbrances at year-end for which goods or services are received are reclassified as expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either canceled or are included as reappropriations of fund balance for the subsequent year.

Allocation of Expenses

The School District reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The School District has elected to not allocate indirect expenses.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE B - BUDGETARY POLICY AND PRACTICE

The School District has adopted these procedures in establishing the budgets as reflected in the financial statements.

1. As early as possible in the preceding fiscal year (generally in the spring), the Superintendent formulates preliminary budgets for the coming year, which he submits to the Board of Education for their review.
2. A public hearing is held prior to June 30 on the proposed budgets to obtain taxpayer comments.
3. The Board of Education reviews the proposed budget and then in June adopts a formal resolution approving the needed appropriations for the coming operating year.
4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Board of Education.
5. It is the Superintendent's responsibility to supervise and monitor the budget process. He does this by reviewing the monthly financial data and reporting and recommending any needed amendments to the Board of Education.
6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.
8. All annual appropriations lapse at fiscal year-end.

NOTES TO FINANCIAL STATEMENTS - Continued

Excess of Expenditures over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2022, the School District was not in compliance with that provision.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Leaps and Bounds Fund			
Miscellaneous	\$ 8,250	\$ 8,977	\$ 727

NOTE C - CASH AND CASH EQUIVALENTS

At June 30, 2022, the School District's cash and cash equivalents included the following:

	<u>Cash and Cash Equivalents</u>
Bank deposits	\$ 1,038,659
Investments	<u>824,429</u>
	<u>\$ 1,863,088</u>

Bank Deposits

All of the School District's bank deposits are with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

Custodial Credit Risk - Deposits

In the event of bank failure, the School District's deposits may not be returned to it. As of June 30, 2022, \$121,516 of the School District's bank balance of \$1,064,485 was exposed to custodial credit risk because it is uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS - Continued

Investments

The School District's investment policy permits investments in the following vehicles:

1. Bonds and other obligations of the United States; the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificate of deposits issued by financial institutions organized and authorized to operate in Michigan.
3. Certain commercial paper.
4. Securities issued or guaranteed by agencies or instruments of the United States government.
5. United States government Federal agency obligation repurchase agreements.
6. Banker's acceptance issued by a bank that is a member of the FDIC.
7. Certain mutual funds.
8. Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982.

Investments at June 30, 2022 consisted of the following:

<u>Investment Type</u>	<u>Cost</u>	<u>Investment Maturities (in years)</u>			
		<u>Current</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
MILAF	\$ 824,429	\$ 824,429	\$ -	\$ -	\$ -

Interest Rate Risk

The School District attempts to minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in short-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity. MILAF investments are carried at amortized cost and are not subject to any withdrawal restrictions.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized rating organizations. The School District further limits its investment choices as described above. The School District's investment in the Michigan Liquid Asset Fund ("MILAF") investment pool was rated AAAM by Standard & Poor's.

NOTE D - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Unearned Revenue and Property Tax Calendar

Property taxes are levied, billed and attached as enforceable liens in July and December of the School District's fiscal year. Townships within the School District collect and remit taxes until February 15, at which time the uncollected real property taxes are turned over to the counties as delinquent. Delinquent real property taxes are funded by the county and remitted to the School District. Delinquent personal property tax remains a receivable until collected from the taxpayer by the townships and remitted to the School District. In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due to the School District regardless of when cash is received. Over time, substantially all property taxes are collected.

During the fiscal year, \$18.00 per \$1,000 of equalized non-principal residence property value of \$173.96 million and \$6 per \$1,000 of equalized commercial personal property value of \$3.03 million was levied for general operating purposes. For Debt Service, \$3.90 per \$1,000 of total equalized property value of \$329.32 million was levied for bonded debt repayments by the Debt Service Fund. For Sinking Fund purposes, \$.9949 per \$1,000 of total equalized property value of \$329.32 million was levied for the replacement of roofs, unit ventilators and condensing units; upgrades to boilers and heating systems; and adding a new stairway in the parking lot.

Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned, when eligibility requirements are met. Grant revenues are deferred in the governmental fund financial statements and include unearned revenue and deferred inflows of resources. Unearned revenue received after 60 days is fully recognized as revenue in the government-wide statements, if grantor eligibility requirements are met.

Amounts due from other governments at June 30, 2022 are as follows:

Due from the State of Michigan - State aid	\$ 126,556
Due from Federal grants	<u>49,652</u>
	<u>\$ 176,208</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE E - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Buildings and improvements	\$ 19,968,968	\$ 387,474	\$ -	\$ 20,356,442
Buses and vehicles	436,346	-	-	436,346
Furniture and equipment	<u>971,001</u>	<u>64,787</u>	-	<u>1,035,788</u>
Total depreciable assets	21,376,315	452,261	-	21,828,576
Less accumulated depreciation	(7,089,992)	(552,407)	-	(7,642,399)
Construction-in-process	136,600	-	(136,600)	-
Land	<u>401,966</u>	-	-	<u>401,966</u>
Total capital assets, net	<u>\$ 14,824,889</u>	<u>\$ (100,146)</u>	<u>\$ (136,600)</u>	<u>\$ 14,588,143</u>

Depreciation expense was charged to the function in the statement of activities, as follows:

Unallocated	<u>\$ 552,407</u>
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NOTE F - LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2022 were as follows:

	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
General obligation bonds	\$11,265,000	\$ -	\$ (820,000)	\$10,445,000	\$ 860,000
Note payable	23,938	-	(11,727)	12,211	12,211
Unamortized bond premium	805,720	-	(78,526)	727,194	78,526
Early retirement incentive liability	48,360	-	(10,016)	38,344	11,252
Accumulated leave liability	<u>134,558</u>	-	<u>(2,675)</u>	<u>131,883</u>	-
Long-term liabilities	<u>\$12,277,576</u>	<u>\$ -</u>	<u>\$ (922,944)</u>	<u>\$11,354,632</u>	<u>\$ 961,989</u>

Payments on general obligation bonds are made by the Debt Retirement Funds. Payments on notes payable are made by the General Fund. The accumulated leave liability and early retirement liability will be liquidated primarily by the General Fund.

NOTES TO FINANCIAL STATEMENTS - Continued

At June 30, 2022, the School District's long-term liabilities consisted of the following:

\$4,860,000 2017 School Building and Site and Refunding general obligation bonds for the advance refunding of the School District's 2008 bond issue and \$1,550,000 in new debt; due in annual installments of \$185,000 to \$445,000 through May 2033; interest rate of 4.00%; due semi-annually.	\$ 3,740,000
\$8,925,000 2016 Refunding general obligation bonds for the advance refunding of the School District's 2004 and 2007 bond issues; due in annual installments of \$550,000 to \$775,000 through May 2032; interest rate of 4.00%; due semi-annually.	<u>6,705,000</u>
Total general obligation bonds	10,445,000
Note payable for a bus with a cost of \$84,861; due in annual installments of \$12,735 through July 2022; interest rate of 4.15%; due annually. Secured by the purchased bus.	<u>12,211</u>
Total general obligation bonds and note payable	10,457,211
Unamortized bond premium	727,194
Early retirement incentive liability	38,344
Accumulated leave liability	<u>131,883</u>
Total long-term liabilities	<u><u>\$11,354,632</u></u>

Total annual requirements to amortize general obligation bonds and note payable as of June 30, 2022 are as follows:

Years Ending June 30,	<u>Principal</u>	<u>Interest</u>
2023	\$ 872,211	\$ 418,314
2024	890,000	383,400
2025	925,000	347,800
2026	965,000	310,800
2027	1,000,000	272,200
2028-2032	5,620,000	728,800
2033-2037	<u>185,000</u>	<u>7,400</u>
	<u><u>\$10,457,211</u></u>	<u><u>\$ 2,468,714</u></u>

Interest expense for the year ended June 30, 2022 was \$480,834, and interest paid was \$453,618.

NOTES TO FINANCIAL STATEMENTS - Continued

Early Retirement Incentive Liability

The School District has an early retirement incentive program for eligible teachers. Under the program, a teacher is scheduled to receive contributions of \$4,800 to \$6,000 per year, depending on experience. As of June 30, 2022, the amount due to teachers in the program was \$38,344.

Accumulated Leave Liability

Employees of the School District accumulate days of compensated sick leave, as specified by the bargaining units' contract. This benefit vests after four years of employment. Upon either resignation or retirement, the employees are compensated at a daily rate specified in the bargaining units' contracts.

Deferred Loss on Refunding

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Amortization</u>	<u>Ending Balance</u>
2017 School Building and Site Refunding bonds	\$ 57,101	\$ -	\$ (5,312)	\$ 51,789
2016 Refunding bonds	<u>273,599</u>	<u>-</u>	<u>(27,824)</u>	<u>245,775</u>
Total deferred outflows	<u>\$ 330,700</u>	<u>\$ -</u>	<u>\$ (33,136)</u>	<u>\$ 297,564</u>

NOTE G - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; unemployment benefits; and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance and risk management pools.

The School District pays unemployment claims on a reimbursement basis through the Bureau of Workers' and Unemployment Compensation ("BWUC"). As BWUC pays eligible recipients benefits, this amount is billed to Onkama Consolidated Schools. At June 30, 2022, there were no significant unbilled claims.

The School District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

NOTES TO FINANCIAL STATEMENTS - Continued

The School District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its General and Member Retention Funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the Member Retention Fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the School District's General Fund.

NOTE H - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Due To and Due From Other Funds

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

	<u>Due From</u>	<u>Due To</u>
Major Governmental Funds		
General Fund	\$ -	\$ 49,286
Leaps and Bounds Fund	28,866	15,384
Other Governmental Funds		
Food Service Fund	<u>35,804</u>	<u>-</u>
	<u>\$ 64,670</u>	<u>\$ 64,670</u>

Transfers

Transfers within the reporting entity are substantially for the purposes of subsidizing operating functions and funding capital projects. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental columns.

NOTES TO FINANCIAL STATEMENTS - Continued

The following schedule reports transfers within the reporting entity:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds		
General Fund	\$ -	\$ 51,680
Capital Projects Fund	50,000	-
Other Governmental Funds		
Food Service Fund	<u>1,680</u>	<u>-</u>
	<u>\$ 51,680</u>	<u>\$ 51,680</u>

NOTE I - PENSION PLAN

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit ("DB") pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% 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.

NOTES TO FINANCIAL STATEMENTS - Continued

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

Contributions

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

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

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 30, 2021:

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0-4.0%	19.78%
Member Investment Plan	3.0-7.0%	19.78%
Pension Plus	3.0-6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$539,170 for the year ended September 30, 2021.

NOTES TO FINANCIAL STATEMENTS - Continued

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

At June 30, 2022, the School District reported a liability of \$4,251,311 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the systems employers during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2021, the School District's proportion was 0.01795665% percent, which was a decrease of 0.00133306% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense of \$253,592. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 65,855	\$ 25,035
Changes of assumptions	267,987	-
Net difference between projected and actual earnings on pension plan investments	-	1,366,783
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	579,944
School District contributions subsequent to the measurement date	<u>249,389</u>	<u>-</u>
Total	<u>\$ 583,231</u>	<u>\$ 1,971,762</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$249,389 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ (334,831)
2023	(430,688)
2024	(463,557)
2025	<u>(408,844)</u>
Total	<u>\$ (1,637,920)</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans:	6.8% net of investment expenses
Pension Plus Plan:	6.8% net of investment expenses
Pension Plus 2 Plan:	6.0% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4367
- Recognition period for assets in years: 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.

NOTES TO FINANCIAL STATEMENTS - Continued

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO FINANCIAL STATEMENTS - Continued

Discount Rate

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

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

1% Decrease (5.8% / 5.8% / 5.0%)	Current Single Discount Rate Assumption (6.8% / 6.8% / 6.0%)	1% Increase (7.8% / 7.8% / 7.0%)
\$ 6,078,222	\$ 4,251,311	\$ 2,736,682

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

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

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

The School District reported \$65,043 and \$750 payable to the plan at June 30, 2022 for legally required defined benefit and defined contribution plan contributions, respectively.

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

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

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

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

Benefits Provided

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

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

NOTES TO FINANCIAL STATEMENTS - Continued

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

Contributions

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

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

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

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

Required contributions to the OPEB plan from the School District were \$129,291 for the year ended September 30, 2021.

NOTES TO FINANCIAL STATEMENTS - Continued

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

At June 30, 2022, the School District reported a liability of \$265,842 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2020. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.01741654%, which was a decrease of 0.00094342% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized OPEB income of \$205,300. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 758,828
Changes of assumptions	222,231	33,254
Net difference between projected and actual earnings on OPEB plan investments	-	200,370
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,218	211,249
Employer contributions subsequent to the measurement date	<u>103,741</u>	<u>-</u>
Total	<u>\$ 328,190</u>	<u>\$ 1,203,701</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$103,741 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ (257,098)
2023	(237,064)
2024	(214,491)
2025	(196,321)
2026	(65,668)
Thereafter	<u>(8,610)</u>
Total	<u>\$ (979,252)</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment 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 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Active Members: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions

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

NOTES TO FINANCIAL STATEMENTS - Continued

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312
- Recognition period for assets in years: 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 Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

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

Sensitivity of the School District's Proportionate Share 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 School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

<u>1% Decrease</u> (5.95%)	<u>Current</u> <u>Discount Rate</u> (6.95%)	<u>1% Increase</u> (7.95%)
\$ 493,983	\$ 265,842	\$ 72,232

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

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

<u>1% Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u>	<u>1% Increase</u>
\$ 64,704	\$ 265,842	\$ 492,147

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

The School District reported \$15,118 payable to the Plan at June 30, 2022 for the OPEB liability.

NOTE K - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Collectively Bargained Employment Agreements

The teachers of the School District are organized under the Onekama Education Association. The Board of Education and the Onekama Education Association have a contract through August 31, 2022. The School District is currently in the process of negotiating a new contract.

Universal Service Administrative Company Funding Claims

The District is in the process of appealing claims of \$14,236 from the Universal Service Administrative Company regarding E-rate funding requests that were filed in funding years 1998/1999 and 1999/2000 that were potentially in violation of FCC Rules. The appeals for the potential claims are currently pending.

NOTE L - RISKS AND UNCERTAINTIES

COVID-19

On March 10, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. Throughout the pandemic, the Federal government has provided the School District with funds for increased operational costs to comply with health and safety protocols. Additional Federal funding and changes to operations are expected to continue into the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Onekama Consolidated Schools

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances - Positive (Negative)	
	<u>Original</u>	<u>Final</u>		<u>Original to</u>	<u>Final Budget</u>
				<u>Final Budget</u>	<u>To Actual</u>
Revenues					
Local and intermediate sources	\$ 3,245,014	\$ 3,245,943	\$ 3,280,784	\$ 929	\$ 34,841
State revenues	543,384	612,658	623,339	69,274	10,681
Federal revenues	187,870	370,848	359,726	182,978	(11,122)
Other	<u>12,055</u>	<u>16,100</u>	<u>12,955</u>	<u>4,045</u>	<u>(3,145)</u>
Total revenues	<u>3,988,323</u>	<u>4,245,549</u>	<u>4,276,804</u>	<u>257,226</u>	<u>31,255</u>
Expenditures					
Instruction					
Basic programs	1,750,359	1,867,633	1,858,080	(117,274)	9,553
Added needs	<u>442,537</u>	<u>461,581</u>	<u>458,278</u>	<u>(19,044)</u>	<u>3,303</u>
Total instruction	<u>2,192,896</u>	<u>2,329,214</u>	<u>2,316,358</u>	<u>(136,318)</u>	<u>12,856</u>
Support services					
Pupil support	22,891	23,631	20,935	(740)	2,696
Instruction staff support	127,426	53,152	46,181	74,274	6,971
General administration	249,797	296,181	293,331	(46,384)	2,850
School administration	162,990	187,002	180,437	(24,012)	6,565
Business services	113,413	104,195	98,309	9,218	5,886
Operations and maintenance	642,369	724,499	689,668	(82,130)	34,831
Transportation	138,004	136,971	136,947	1,033	24
Other central support	<u>284,050</u>	<u>308,186</u>	<u>304,883</u>	<u>(24,136)</u>	<u>3,303</u>
Total support services	<u>1,740,940</u>	<u>1,833,817</u>	<u>1,770,691</u>	<u>(92,877)</u>	<u>63,126</u>
Community services	<u>2,000</u>	<u>2,700</u>	<u>1,740</u>	<u>(700)</u>	<u>960</u>
Total expenditures	<u>3,935,836</u>	<u>4,165,731</u>	<u>4,088,789</u>	<u>(229,895)</u>	<u>76,942</u>
REVENUES OVER EXPENDITURES	<u>52,487</u>	<u>79,818</u>	<u>188,015</u>	<u>27,331</u>	<u>108,197</u>
Other financing uses	<u>(28,730)</u>	<u>(78,180)</u>	<u>(73,925)</u>	<u>(49,450)</u>	<u>4,255</u>
REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	23,757	1,638	114,090	(22,119)	112,452
Fund balance, beginning of year	<u>258,386</u>	<u>590,696</u>	<u>590,696</u>	<u>332,310</u>	<u>-</u>
Fund balance, end of year	<u>\$ 282,143</u>	<u>\$ 592,334</u>	<u>\$ 704,786</u>	<u>\$ 310,191</u>	<u>\$ 112,452</u>

Onekama Consolidated Schools

BUDGETARY COMPARISON SCHEDULE FOR THE LEAPS AND BOUNDS FUND

Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances - Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final Budget</u>	<u>Final Budget To Actual</u>
	Revenues				
Local and intermediate sources	\$ 148,510	\$ 221,010	\$ 222,689	\$ 72,500	\$ 1,679
State revenues	3,353	4,640	-	1,287	(4,640)
Federal revenues	38,000	106,755	112,509	68,755	5,754
Other	-	-	5,496	-	5,496
Total revenues	<u>189,863</u>	<u>332,405</u>	<u>340,694</u>	<u>142,542</u>	<u>8,289</u>
Expenditures					
Salaries and benefits	34,409	47,952	46,990	(13,543)	962
Contracted services and supplies	155,500	255,800	239,314	(100,300)	16,486
Miscellaneous	3,350	8,250	8,977	(4,900)	(727)
Total expenditures	<u>193,259</u>	<u>312,002</u>	<u>295,281</u>	<u>(118,743)</u>	<u>16,721</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,396)</u>	<u>20,403</u>	<u>45,413</u>	<u>142,542</u>	<u>8,289</u>
Fund balance, beginning of year	<u>4,622</u>	<u>34,901</u>	<u>34,901</u>	<u>30,279</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,226</u>	<u>\$ 55,304</u>	<u>\$ 80,314</u>	<u>\$ 172,821</u>	<u>\$ 8,289</u>

Onekama Consolidated Schools

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Michigan Public School Employees Retirement Plan

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
School District's proportion of collective net pension liability	0.01795665 %	0.01928971 %	0.02066528 %	0.02120698 %	0.02148102 %	0.02140892 %	0.02124000 %	0.02099000 %
School District's proportionate share of net pension liability	\$ 4,251,311	\$ 6,626,225	\$ 6,843,646	\$ 6,375,201	\$ 5,566,645	\$ 5,341,350	\$ 5,187,954	\$ 4,622,464
School District's covered payroll	\$ 1,571,863	\$ 1,625,057	\$ 1,774,556	\$ 1,782,943	\$ 1,795,701	\$ 1,812,661	\$ 1,777,656	\$ 1,793,122
School District's proportionate share of net pension liability as a percentage of covered payroll	270.46 %	407.75 %	385.65 %	357.57 %	310.00 %	294.67 %	291.84 %	257.79 %
Plan fiduciary net position as a percentage of total pension liability	72.60 %	59.72 %	60.31 %	62.36 %	64.21 %	63.27 %	63.17 %	66.20 %

SCHEDULE OF SCHOOL DISTRICT'S PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Statutorily required contributions	\$ 319,854	\$ 314,460	\$ 306,131	\$ 306,244	\$ 322,351	\$ 331,625	\$ 409,753	\$ 405,928
School District contributions made to the Plan	319,854	314,460	306,131	306,244	322,351	331,625	409,753	405,928
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 1,672,919	\$ 1,580,756	\$ 1,649,868	\$ 1,789,368	\$ 1,799,872	\$ 1,783,113	\$ 1,834,224	\$ 1,872,695
Contributions as a percentage of covered payroll	19.12 %	19.89 %	18.55 %	17.11 %	17.91 %	18.60 %	22.34 %	21.68 %

Onkama Consolidated Schools

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Michigan Public School Employees Retirement Plan

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
School District's proportion of collective net OPEB liability	0.01741654 %	0.01835996 %	0.02041509 %	0.02096699 %	0.02146242 %
School District's proportionate share of net OPEB liability	\$ 265,842	\$ 983,592	\$ 1,465,344	\$ 1,666,656	\$ 1,900,598
School District's covered payroll (OPEB)	\$ 1,571,863	\$ 1,625,057	\$ 1,774,556	\$ 1,782,943	\$ 1,795,701
School District's proportionate share of net OPEB liability as a percentage of covered payroll	16.91 %	60.53 %	82.58 %	93.48 %	105.84 %
Plan fiduciary net position as a percentage of total OPEB liability	87.33 %	59.44 %	48.46 %	42.95 %	36.39 %

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Statutorily required OPEB contributions	\$ 134,342	\$ 137,155	\$ 132,380	\$ 136,166	\$ 134,500
OPEB contributions in relation to statutorily required contributions	<u>134,342</u>	<u>137,155</u>	<u>132,380</u>	<u>136,166</u>	<u>134,500</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll (OPEB)	\$ 1,672,919	\$ 1,580,756	\$ 1,649,868	\$ 1,789,368	\$ 1,799,872
OPEB contributions as a percentage of covered payroll	8.03 %	8.68 %	8.02 %	7.61 %	7.47 %

**COMBINING FINANCIAL STATEMENTS
OF NON-MAJOR GOVERNMENTAL FUNDS**

Onekama Consolidated Schools

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2022

	Special Revenue Funds				
	Food Service	Student Activity	2017 Debt Retirement Fund	Sinking Fund	Total Non-Major Governmental
ASSETS					
Cash and cash equivalents	\$ 120,339	\$ 152,563	\$ 53,825	\$ 127,708	\$ 454,435
Accounts receivable	202	-	-	-	202
Due from other governments	9,568	-	-	-	9,568
Due from other funds	35,804	-	-	-	35,804
Prepaid expenditures	1,817	-	-	-	1,817
Total assets	\$ 167,730	\$ 152,563	\$ 53,825	\$ 127,708	\$ 501,826
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 383	\$ -	\$ -	\$ 40,320	\$ 40,703
Salaries payable and related liabilities	2,306	-	-	-	2,306
Unearned revenue	11,447	-	-	-	11,447
Total liabilities	14,136	-	-	40,320	54,456
FUND BALANCES					
Nonspendable - prepaids	1,817	-	-	-	1,817
Restricted					
Debt Service	-	-	53,825	-	53,825
Capital Projects	-	-	-	87,388	87,388
Food Service	151,777	-	-	-	151,777
Committed					
Student Activities	-	152,563	-	-	152,563
Total fund balances	153,594	152,563	53,825	87,388	447,370
Total liabilities and fund balances	\$ 167,730	\$ 152,563	\$ 53,825	\$ 127,708	\$ 501,826

Onekama Consolidated Schools

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2022

	<u>Special Revenue Funds</u>				<u>Total Non-Major Governmental</u>
	<u>Food Service</u>	<u>Student Activity</u>	<u>2017 Debt Retirement Fund</u>	<u>Sinking Fund</u>	
Revenues					
Property taxes	\$ -	\$ -	\$ 462,365	\$ 328,557	\$ 790,922
Interest	275	-	124	90	489
State revenues	19,879	-	-	-	19,879
Federal revenues	241,900	-	-	-	241,900
Other	49,087	96,482	-	-	145,569
Total revenues	<u>311,141</u>	<u>96,482</u>	<u>462,489</u>	<u>328,647</u>	<u>1,198,759</u>
Expenditures					
Food Service	315,921	-	-	-	315,921
Student Activities	-	86,510	-	-	86,510
Debt Service					
Principal	-	-	300,000	-	300,000
Interest	-	-	161,600	-	161,600
Capital outlay	37,739	-	-	385,498	423,237
Total expenditures	<u>353,660</u>	<u>86,510</u>	<u>461,600</u>	<u>385,498</u>	<u>1,287,268</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(42,519)</u>	<u>9,972</u>	<u>889</u>	<u>(56,851)</u>	<u>(88,509)</u>
Other financing sources					
Interfund transfers in	1,680	-	-	-	1,680
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	<u>(40,839)</u>	<u>9,972</u>	<u>889</u>	<u>(56,851)</u>	<u>(86,829)</u>
Fund balances, beginning of year	<u>194,433</u>	<u>142,591</u>	<u>52,936</u>	<u>144,239</u>	<u>534,199</u>
Fund balances, end of year	<u>\$ 153,594</u>	<u>\$ 152,563</u>	<u>\$ 53,825</u>	<u>\$ 87,388</u>	<u>\$ 447,370</u>



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

Board of Education
 Onekama Consolidated Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Onekama Consolidated Schools* (the "School District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 25, 2022.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District'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 over financial reporting, as described below, that we consider to be a significant deficiency:

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the School District's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the School District has historically relied on its independent external auditors to assist in the preparation of the basic financial statements as part of its external financial reporting process. Accordingly, the School District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the School District's internal controls.

Cause: This condition was caused by the School District's decision that it is more cost effective to outsource the preparation of its annual financial statements to auditors than to incur the time and expense of obtaining the necessary resources required for the School District to perform this task internally.

Effect: As a result of this condition, the School District lacks internal controls over the preparation of financial statements in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: Once a draft of the financial statements is available, the School District should perform a detailed review of the draft to address any questions or discrepancies from their internal books and records. Upon completion, the School District should approve the financial statements and notes to accept responsibility for their content. Additionally, management should be proactive to enhance their training and expertise in accounting and external financial reporting by attending relevant training to demonstrate their ability to accept responsibility for the financial statements and notes.

Management's Response: The School District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the School District to outsource this task to its external auditors and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Report on Compliance and Other Matters

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

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit is described above. The School District's response was not subjected to the 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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 25, 2022