



Manistee Area Public Schools

**MANISTEE AREA PUBLIC SCHOOLS
MANISTEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

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

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 Manistee Area Public Schools (the "School") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School'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 the School, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School'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'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'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, budgetary comparison information, and the schedules of proportionate share of net pension and OPEB liabilities and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, MI
October 27, 2022

Management's Discussion and Analysis

**Manistee Area Public Schools
Management's Discussion and Analysis
June 30, 2022**

This section of Manistee Area Public Schools (the "School District"), Manistee County, Michigan's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2022. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2022.

Financial Highlights

- The liabilities and deferred inflows of the School District exceeded its assets and deferred outflows at the close of this fiscal year by \$1,971,189 (shown as a deficit *net position*). The School District had a deficit *unrestricted net position* of \$(20,416,889).
- Revenues of \$22,727,212 exceeded expenses of \$17,242,213 leading to an increase in net position of \$5,485,000 during the year.
- During the year, the School District's governmental funds' fund balances increased by \$30,628,554, for an ending fund balance of \$37,872,191 across all funds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,464,681, or 29.4% of the general fund's total expenditures and transfers out. Fund balance of the general fund *increased* by \$178,651 during the year.

Overview of the Financial Statements

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

- The first two statements, the statement of net position and the statement of activities, are *district-wide financial statements* that provide both short-term and long-term information about the 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.
 - *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

- *Fiduciary funds statements* provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund.

District-wide Financial Statements

The district-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes 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 position – the difference between the School District's assets, deferred outflows and inflows, and liabilities - is one way to measure the School District's financial health or position.

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

To assess the School District's overall health, one should consider additional non-financial 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 are presented as governmental activities. *Governmental activities* include the School District's basic services, such as regular and special education, instructional support, transportation, administration, community services, food service, and athletics. State aid and property taxes finance most of these activities.

Financial Analysis of the School District as a Whole

The table on the following page shows the June 30, 2022 and 2021 statements of net position.

Manistee Area Public Schools' Net Position

ASSETS	2022	2021
<i>Current Assets</i>		
Cash and investments	\$ 37,028,302	\$ 6,822,136
Receivables	7,282,873	7,159,236
Due from other governmental units	1,052,095	328,404
Inventories and prepaid items	101,286	79,993
Total Current Assets	45,464,556	14,389,769
<i>Noncurrent Assets</i>		
Capital assets, net	27,216,953	24,724,387
Total Assets	72,681,509	39,114,156
DEFERRED OUTFLOWS OF RESOURCES		
Charges on bond refunding	279,738	319,700
Pension related	3,797,555	5,689,373
OPEB related	1,487,701	1,922,348
Total Deferred Outflows of Resources	5,564,994	7,931,421
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	955,237	715,230
Salaries payable	628,332	598,028
Accrued employee benefits	304,793	279,985
Unearned revenue	233,508	132,845
Interest payable	135,266	34,836
Due to other governmental units	5,470,495	5,229,940
Current portion of compensated absences	37,363	24,114
Current portion of long-term debt	1,862,692	1,162,692
State aid note payable	-	190,104
Total Current Liabilities	9,627,686	8,367,774
<i>Noncurrent Liabilities</i>		
Long-term debt	38,666,546	9,631,101
Compensated absences	117,392	123,827
Net pension liability	18,947,575	27,837,579
Net OPEB liability	1,213,388	4,277,090
Total Liabilities	68,572,587	50,237,371
DEFERRED INFLOWS OF RESOURCES		
Pension related	6,838,405	728,156
OPEB related	4,806,700	3,536,239
Total Deferred Inflows of Resources	11,645,105	4,264,395
NET POSITION		
Net investment in capital assets	16,562,522	14,250,294
Restricted	1,883,178	1,143,843
Unrestricted	(20,416,889)	(22,850,326)
Total Net Position	\$ (1,971,189)	\$ (7,456,189)

Cash and investments increased by \$30,206,166 largely due to \$29,700,719 of 2021 unspent capital project bond proceeds. Due from other governmental units increased by \$723,691 because of an overall increase in federal funding, specifically ESSER-related funding. As a result of better market conditions, pension assets and OPEB assets each earned 27% during the most recent actuarial valuation. This resulted in a decrease in net pension liability of \$8,890,004, a decrease in deferred outflows related to the pension of \$1,891,818, and an increase in deferred inflows related to the pension of \$6,110,249. Similarly, this resulted in a decrease in net OPEB liability of \$3,063,702, a decrease in deferred outflows related to the OPEB of \$434,647 and an increase in deferred inflows related to the OPEB of \$1,270,461. Due to other governmental units increased by \$325,240 as the increase for unrestricted state in the prior year was much greater than the current year. In addition, long-term debt increased significantly because of the issuance of a new bond.

The results of operations for the School District as a whole are reported in the Change in Net Position table below. This statement shows the changes in net position for the fiscal years ended June 30, 2022 and 2021.

Manistee Area Public Schools' Changes in Net Position

Revenues	2022	2021
Program Revenues		
Charges for services	\$ 2,068,569	\$ 1,417,179
Operating grants and contributions	5,770,102	4,876,842
Capital grants and contributions	1,589,232	120,000
<i>Total Program Revenues</i>	9,427,903	6,414,021
General Revenues		
Local sources	6,332,651	4,989,106
Unrestricted state sources	6,372,897	6,975,767
Non-educational entity sources	593,762	820,179
<i>Total General Revenues</i>	13,299,310	12,785,052
<i>Total Revenues</i>	22,727,213	19,199,073
Expenses		
Instruction	7,663,749	8,226,994
Supporting services	5,675,057	5,885,563
Community services	285,177	263,464
Food services	838,727	842,675
Athletics	472,086	449,113
Interest and bond issuance costs on long-term debt	1,323,876	251,546
Depreciation (unallocated)	983,541	935,243
<i>Total Expenses</i>	17,242,213	16,854,598
<i>Change in Net Position</i>	5,485,000	2,344,475
<i>Net Position at Beginning of Period</i>	(7,456,189)	(9,800,664)
<i>Net Position at End of Period</i>	\$ (1,971,189)	\$ (7,456,189)

The School District had an overall increase in net position of \$5,485,000 for the year ended June 30, 2022. Operating grants and contributions and capital grants and contributions increased \$893,260 and \$1,469,232, respectively, due to an increase in restricted federal grants (ESSER funding). Unrestricted state sources decreased by \$602,871 due to less COVID-19-related funding passing through the State. Local sources increased by \$1,343,545, largely due to a new 2021 capital improvement bond millage plus an increase in overall taxable value for the School District. Charges for services increased by \$651,390 as a result of fewer COVID-19 restrictions, allowing for the resumption of services within the School District.

Changes within expenses for the School District were largely caused by the changes in net pension liability, net OPEB liability, and their related deferrals. Additionally, the new bond issuance costs and interest expense on over \$30,000,000 of bonds caused interest and bond issuance costs on long-term debt to increase by \$1,072,330.

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.

The School District utilizes two kinds of funds:

- *Governmental funds*: Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the district-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.
- *Fiduciary funds*: The School District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the School District's Funds

The School District uses funds to record and analyze financial information. The School District had the following major funds:

The *general fund* is the School District's primary operating fund. The general fund had revenues of \$18,713,357, expenditures of \$17,197,034, and transfers out of \$1,337,672. The general fund ended the year with a \$178,651 increase in fund balance for a total fund balance of \$5,721,654 as of June 30, 2022. The reasons for the changes in revenues and expenditures in the general fund are explained in an earlier section of this report.

The *2021 capital project fund*, a new major fund, had an increase in fund balance of \$29,595,069, for a total fund balance of \$29,595,069 as of year-end. This was caused by the issuance of \$30,750,000 of capital improvement bonds offset by capital outlay and debt service expenditures.

The nonmajor governmental funds had an increase in fund balance for the year of \$854,834 for total nonmajor governmental fund balances of \$2,555,468 as of June 30, 2022.

General Fund Budgetary Highlights

During the year the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations. The initial budget for the year ended June 30, 2022, was adopted by the Board of Education in June 2021, with the final amendments made in June 2022.

Original budget compared to final budget. The original budget was amended during the year as actual results needed adjusting from the original budgeted estimates. The original budget for operations and maintenance expenditures increased from \$2,807,500 to \$3,488,475, state sources revenue increased from \$9,016,450 to \$9,204,700, and federal sources revenue increased from \$2,778,950 to \$3,443,300. Budgetary changes were primarily a result of increased state and federal funding related to the ESSER grant.

Final budget compared to actual results. The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2022.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2022, the School District had \$27,216,953 invested in capital assets. This was a net increase during the fiscal year of \$2,492,566 consisting of depreciation charges of \$983,541 offset against capital asset purchases of \$3,476,107.

More detailed information about the School District's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt

At year end, the School District had total long-term debt of \$40,529,238. The School District continued to pay down its debt, retiring \$1,581,933 of outstanding bonds (including bond

premiums), loans, and leases during the year. In addition, the School District issued \$30,750,000 of 2021 capital improvement bonds as explained in the notes to the financial statements.

The State limits the amount of general obligation debt that schools can issue to 10% of the School District's assessed value. The School District is well under the State limit as of June 30, 2022.

More detailed information about the School District's long-term debt can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budget and Rates

The School District's budget for the 2022-2023 fiscal year projects total revenues of \$17,034,300 and total expenditures of \$17,607,600. The School District continues to work to balance its expenditures while providing an excellent education to the District it serves.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and 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:

Manistee Area Public Schools
550 Maple Street
Manistee, MI 49660

Basic Financial Statements

Manistee Area Public Schools
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash and investments	\$ 37,028,302
Receivables	7,282,873
Due from other governmental units	1,052,095
Inventories	26,477
Prepaid items	74,809
Total Current Assets	45,464,556
<i>Noncurrent Assets</i>	
Capital assets not being depreciated	3,013,797
Capital assets being depreciated, net	24,203,156
Total Assets	72,681,509
DEFERRED OUTFLOWS OF RESOURCES	
Charge on bond refunding	279,738
Pension related	3,797,555
OPEB related	1,487,701
Total Deferred Outflows of Resources	5,564,994
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	955,237
Salaries payable	628,332
Accrued employee benefits	304,793
Unearned revenue	233,508
Interest payable	135,266
Due to other governmental units	5,470,495
Current portion of compensated absences	37,363
Current portion of long-term debt	1,862,692
Total Current Liabilities	9,627,686
<i>Noncurrent Liabilities</i>	
Long-term debt	38,666,546
Compensated absences	117,392
Net pension liability	18,947,575
Net OPEB liability	1,213,388
Total Liabilities	68,572,587
DEFERRED INFLOWS OF RESOURCES	
Pension related	6,838,405
OPEB related	4,806,700
Total Deferred Inflows of Resources	11,645,105
NET POSITION	
Net investment in capital assets	16,562,522
<i>Restricted for:</i>	
Athletics	99,719
Aquatics	108,392
Food services	554,715
Debt service	1,120,352
<i>Unrestricted</i>	(20,416,889)
Total Net Position	\$ (1,971,189)

The Notes to the Financial Statements are an integral part of these Financial Statements

Manistee Area Public Schools
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 7,663,749	\$ 1,270,783	\$ 3,907,234	\$ --	\$ (2,485,732)
Supporting services	5,675,057	301,400	795,167	1,589,232	(2,989,258)
Community services	285,177	140,816	32,000	--	(112,361)
Food services	838,727	302,047	984,201	--	447,521
Athletics	472,086	53,523	--	--	(418,563)
Unallocated Depreciation	983,541	--	--	--	(983,541)
Debt service, interest	718,164	--	51,500	--	(666,664)
Debt service, bond issuance costs	605,712	--	--	--	(605,712)
Total Governmental Activities	\$ 17,242,213	\$ 2,068,569	\$ 5,770,102	\$ 1,589,232	(7,814,310)

General Purpose Revenues:

Property taxes, levied for general operations	2,324,183
Property taxes, levied for debt service	3,964,901
Unrestricted state sources	6,372,897
Non-educational entity sources	593,762
Interest and investment earnings	43,567
Total General Revenues	13,299,310
Change in Net Position	5,485,000
<i>Net Position at Beginning of Period</i>	(7,456,189)
Net Position at End of Period	\$ (1,971,189)

The Notes to the Financial Statements are an integral part of these Financial Statements

**Manistee Area Public Schools
Balance Sheet
Governmental Funds
June 30, 2022**

	<u>General</u>	<u>Capital Projects</u> 2021 Capital Project Fund	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 5,452,701	\$ 29,700,719	\$ 1,874,882	\$ 37,028,302
Receivables	7,250,100	--	32,773	7,282,873
Due from other governmental units	1,036,018	--	16,077	1,052,095
Inventories	--	--	26,477	26,477
Prepaid items	70,518	--	4,291	74,809
Due from other funds	26,766	--	653,752	680,518
Total Assets	\$ 13,836,103	\$ 29,700,719	\$ 2,608,252	\$ 46,145,074
LIABILITIES				
Accounts payable	\$ 844,670	\$ 100,000	\$ 10,567	\$ 955,237
Salaries payable	628,332	--	--	628,332
Accrued employee benefits	304,793	--	--	304,793
Unearned revenue	224,646	--	8,862	233,508
Due to other governmental units	5,467,016	--	3,479	5,470,495
Due to other funds	644,992	5,650	29,876	680,518
Total Liabilities	8,114,449	105,650	52,784	8,272,883
FUND BALANCE				
Nonspendable	70,518	--	30,768	101,286
Restricted	--	29,595,069	1,852,410	31,447,479
Committed	--	--	210,524	210,524
Assigned	196,455	--	461,766	658,221
Unassigned	5,454,681	--	--	5,454,681
Total Fund Balance	5,721,654	29,595,069	2,555,468	37,872,191
Total Liabilities and Fund Balance	\$ 13,836,103	\$ 29,700,719	\$ 2,608,252	\$ 46,145,074

The Notes to the Financial Statements are an integral part of these Financial Statements

Manistee Area Public Schools
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds	\$	37,872,191
General government capital assets of \$40,939,691, net of accumulated depreciation of \$13,722,738, are not financial resources and, accordingly, are not reported in the funds.		27,216,953
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.		(135,266)
Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.		(21,988,425)
Other postemployment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.		(4,532,387)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(40,529,238)
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.		279,738
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(154,755)
Total Net Position - Governmental Activities	\$	<u>(1,971,189)</u>

Manistee Area Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

	<u>General</u>	<u>Capital Projects</u> 2021 Capital Project Fund	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$ 4,469,091	\$ 30,200	\$ 2,953,674	\$ 7,452,965
Non-educational entity sources	593,762	--	53,704	647,466
State sources	9,227,481	--	63,923	9,291,404
Federal sources	3,217,285	--	971,778	4,189,063
Interdistrict sources	1,026,622	--	--	1,026,622
Other revenue	179,116	--	2,725	181,841
Total Revenues	18,713,357	30,200	4,045,804	22,789,361
Expenditures				
Instruction	9,011,808	--	--	9,011,808
Supporting services	8,185,226	--	156,752	8,341,978
Community services	--	--	285,177	285,177
Food services	--	--	1,110,522	1,110,522
Athletics	--	--	472,086	472,086
Capital outlay	--	1,146,797	344,400	1,491,197
Debt service, principal	--	--	1,512,692	1,512,692
Debt service, interest	--	--	647,013	647,013
Debt service, bond issuance costs	--	605,712	--	605,712
Total Expenditures	17,197,034	1,752,509	4,528,642	23,478,185
Excess of Revenues Over (Under) Expenditures	1,516,323	(1,722,309)	(482,838)	(688,824)
Other Financing Sources (Uses)				
Premium on bonds issued	--	567,378	--	567,378
Capital improvement bonds issued	--	30,750,000	--	30,750,000
Transfers in	--	--	1,337,672	1,337,672
Transfers out	(1,337,672)	--	--	(1,337,672)
Net Other Financing Sources (Uses)	(1,337,672)	31,317,378	1,337,672	31,317,378
Net Change in Fund Balance	178,651	29,595,069	854,834	30,628,554
<i>Fund Balance at Beginning of Period</i>	5,543,003	--	1,700,634	7,243,637
Fund Balance at End of Period	\$ 5,721,654	\$ 29,595,069	\$ 2,555,468	\$ 37,872,191

The Notes to the Financial Statements are an integral part of these Financial Statements

Manistee Area Public Schools
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds \$ 30,628,554

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and expensed. This represents the amount by which capital outlay expenditures of \$3,476,107 exceed depreciation expense of \$983,541. 2,492,566

In the statement of activities, interest and bond discounts and premiums are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest and amortization of bond premiums and discounts. In addition, the amortization of the deferred charge on bond refundings is included. (31,189)

Payment to refunding bond escrow agent are other financing uses in the governmental funds, but the payment decreases long-term liabilities in the statement of net position. The difference between the refunding bond issuance and payment to refunding bond escrow agent is other financing uses in the governmental funds, but the difference increases deferred charges on bond refunding in the statement of net position. (39,962)

The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions. 887,937

The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions. 1,358,594

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. 1,512,692

Change to compensated absences are not shown in the fund financial statements. This amounts represents the change in compensated absences during the current year. (6,814)

Issuance of long-term debt are other financing sources in the governmental funds but the issuance increases long-term liabilities in the statement of net position. (31,317,378)

Changes in Net Position - Governmental Activities **\$ 5,485,000**

Manistee Area Public Schools
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2022

	Private Purpose Trust	Custodial
	Scholarship Fund	Flexible Spending Fund
ASSETS		
Cash and investments	\$ 59,564	\$ 10,672
<i>Total Assets</i>	59,564	10,672
LIABILITIES		
Payroll liabilities	--	10,672
<i>Total Liabilities</i>	--	10,672
NET POSITION		
Restricted for scholarships	\$ 59,564	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

Manistee Area Public Schools
Statement of Change in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2022

	<u>Private Purpose Trust</u>	<u>Custodial</u>
	<u>Scholarship Fund</u>	<u>Flexible Spending Fund</u>
Additions		
Gifts and contributions	\$ 10,150	\$ 1,642
Interest earned	6	--
<i>Total Additions</i>	<u>10,156</u>	<u>1,642</u>
Deductions		
Payroll related	--	1,642
Scholarships awarded	11,000	--
Other expenses	33	--
<i>Total Deductions</i>	<u>11,033</u>	<u>1,642</u>
<i>Change in Net Position</i>	(877)	--
<i>Net Position at Beginning of Period</i>	60,441	--
<i>Net Position at End of Period</i>	<u>\$ 59,564</u>	<u>\$ --</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

Manistee Area Public Schools

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Manistee Area Public Schools (the “School District” or “government”) conform to generally accepted accounting principles as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District’s significant accounting policies are described below.

Reporting Entity

The financial reporting entity consists of a primary government and its component units. The School District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the School District for financial statement presentation purposes, and the School District is not included in any other governmental reporting entity. Consequently, the School District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

The following entity is not included in the School District’s financial statements but does represent an ongoing financial interest or responsibility:

Michigan Great Lakes Virtual Academy

The Manistee Area Public Schools Board of Education entered into a contract with the Michigan Great Lakes Virtual Academy (the “Academy”) to provide monitoring of compliance with applicable laws and performance of the Academy’s targeted educational outcome. The Manistee Area Public Schools Board of Education is to receive an administrative fee of 3% of the state school aid payments received by the Academy to compensate the Manistee Area Public Schools Board of Education for issuing the contract and overseeing the Academy’s compliance with the contract and applicable law. The Contract became effective on April 1, 2013 and generated \$923,827 of administrative fee revenues during the year for the School District.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. The School District reports all of its activities as *governmental activities*, which normally are supported by taxes and intergovernmental revenues.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or

Manistee Area Public Schools

Notes to the Financial Statements

applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements.

Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds also use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual are property taxes, state aid, federal and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School District reports the following 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 required to be accounted for in another fund.

The ***2021 capital project fund*** is used to record the activity surrounding the issuance of the 2021 capital improvement bonds, including related capital outlay expenditures.

Manistee Area Public Schools

Notes to the Financial Statements

Additionally, the School District reports the following fund types:

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

Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, and leases) principal, interest, and related costs.

Capital projects funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Private purpose trust funds are used to account for the receipts and expenses of assets held under a trust agreement.

Custodial funds are custodial in nature and do not present results of operations or have a measurement focus. The custodial fund is accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in a custodial capacity (such as taxes or payroll collected for other governments).

Budgets and Budgetary Accounting

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The School District also prepares budgets for its capital project and debt service funds. The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, School District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original general and special revenue funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).

Manistee Area Public Schools

Notes to the Financial Statements

- Budgets for the general and special revenue funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Appropriations lapse at year-end and amounts may be reappropriated for expenditures to be incurred in the following fiscal year.

Property Taxes

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2021 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues. Property taxes are levied December 1 on the assessed valuation of property located within the School District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the School District and are equalized by the State of Michigan.

Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Fund Equity

Cash and Cash Equivalents

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

State statutes and School District policy authorize the School District to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Manistee Area Public Schools

Notes to the Financial Statements

- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectible during the current year.

Inventories and Prepaids

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of food commodities and related supplies.

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

Capital Assets

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

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

Manistee Area Public Schools

Notes to the Financial Statements

Land improvements, buildings and improvements, vehicles and buses, and contents and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	30-50
Vehicles and buses	5-10
Contents and equipment	3-10

Pension

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

Postemployment Benefits Other Than Pensions

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

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the 1) pension and other postemployment benefits related items reporting in the district-wide statement of net position and 2) deferred charges associated with bond refundings. These amounts are expensed in the plan year in which they apply.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not*

Manistee Area Public Schools

Notes to the Financial Statements

be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for the employee health insurance premiums for the months of July and August. The School District pays these insurances for this period as part of the compensation for services rendered in the preceding school year.

Compensated Absences

School District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave accumulate from year to year at varying rates, depending on the employees' applicable rate of pay and/or employment category. The liability for compensated absences includes salary-related payments.

In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the district-wide financial statements.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payable are reported at the total amount of bonds issued.

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

Manistee Area Public Schools

Notes to the Financial Statements

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the *assigned fund balance* classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can assign fund balance as it does when appropriating fund balance to cover a gap

Manistee Area Public Schools

Notes to the Financial Statements

between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Compliance

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The School District's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the department level. The approved budgets of the School District for these budgeted funds were also adopted at the department level.

The School District had no expenditures in excess of the amounts appropriated as of June 30, 2022.

District-wide Net Position Deficit

The School District had an unrestricted net position deficit and a total net position deficit for District-wide activities in the amount of \$(20,417,426) and \$(1,971,726), respectively, as of June 30, 2021.

Manistee Area Public Schools

Notes to the Financial Statements

Note 3 - Cash and Investments

The School District maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts.

Following is a reconciliation of deposit and investment balances as of June 30, 2022:

Statement of net position	
Cash and investments	\$37,028,302
Statement of fiduciary net position	
Cash and investments	<u>70,236</u>
<i>Total cash and investments</i>	<u>\$37,098,538</u>
Deposits and investments	
Checking and savings accounts	\$37,096,629
Cash on hand	<u>1,909</u>
<i>Total deposits and investments</i>	<u>\$37,098,538</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be returned. State law does not require, and the School District does not have a policy for deposit custodial credit risk. As of year-end, \$36,764,094 of the School District's bank balance of \$37,476,366 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School District believes it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Manistee Area Public Schools

Notes to the Financial Statements

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2022 consisted of fund receivables and payables listed below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	2021 Refunding	\$ 450
General	Athletics	20,370
General	2020 Bond Refunding	296
Capital Projects	General	461,766
Aquatics	General	19,658
Food Service	General	163,568
Aquatics	Athletics	8,760
General	Capital Projects	5,650
Total		<u>\$ 680,518</u>

Interfund balances resulted primarily from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The following schedule summarizes operating transfers during the year:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Athletics	General	\$ 411,000
Aquatics	General	105,000
2012 QZAB	General	200,795
2017 QZAB	General	94,428
2020 Refunding	General	65,974
Capital Projects	General	460,475
Total		<u>\$ 1,337,672</u>

Interfund transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 5 - State of Michigan School Aid

The School District reports State of Michigan school aid in the fiscal year in which the School District is entitled to the revenue as provided by State of Michigan School aid appropriation acts.

Manistee Area Public Schools

Notes to the Financial Statements

State funding provided approximately 40.8% of the total revenues to the School District during the fiscal year.

Note 6 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 172,034	\$ 3,013,797	\$ (172,034)	\$ 3,013,797
Capital assets being depreciated:				
Buildings and improvements	\$ 34,731,669	\$ 388,879	\$ 172,034	35,292,582
Vehicles and buses	1,407,337	15,800	-	1,423,137
Contents and equipment	1,152,544	57,631	-	1,210,175
<i>Subtotal</i>	<u>37,291,550</u>	<u>462,310</u>	<u>172,034</u>	<u>37,925,894</u>
Less accumulated depreciation:				
Buildings and improvements	(11,066,137)	(799,751)	-	(11,865,888)
Vehicles and buses	(675,338)	(149,372)	-	(824,710)
Contents and equipment	(997,722)	(34,418)	-	(1,032,140)
<i>Subtotal</i>	<u>(12,739,197)</u>	<u>(983,541)</u>	<u>-</u>	<u>(13,722,738)</u>
Capital assets being depreciated, net	<u>24,552,353</u>	<u>(521,231)</u>	<u>172,034</u>	<u>24,203,156</u>
Capital assets, net	<u>\$ 24,724,387</u>	<u>\$ 2,492,566</u>	<u>\$ -</u>	<u>\$ 27,216,953</u>

Depreciation expense for the fiscal year ended June 30, 2022 amounted to \$983,541. The School District determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

Note 7 - Long-term Debt

Bonds Payable

2011 General Obligation Unlimited Tax Refunding Bonds

On September 27, 2011, the School District issued refunding bonds for \$15,790,000 known as the 2011 Refunding Bonds (General Obligation – Unlimited Tax). The proceeds were used to retire the 2001 Refunding Bonds early. The 2011 bond matures in the 2029 fiscal year with annual principal payments ranging from \$510,000-\$1,140,000 and has an interest rate range of 2.00-4.50%. The refunding is expected to save Manistee Area Public Schools approximately \$1,728,502 over the course of the 2011 refunding bond life. These bonds were refunded with the 2020 General Obligation Unlimited Tax Refunding Bonds.

Manistee Area Public Schools

Notes to the Financial Statements

2012 Energy Conservation Improvement Bonds (QZAB)

On December 21, 2012, the School District issued a bond for \$2,965,384 known as the 2012 Energy Conservation Improvement Bonds, which are Qualified Zone Academy Bonds (QZAB). The proceeds of the bond financed energy management system retrofits, building envelope improvements, water conservation improvements, and mechanical system replacements / retrofits. The bond matures in fiscal year 2028 and has an interest rate of 4.25%. Principal payments of \$197,692 are due May 1 of each fiscal year and interest payments are due each November 1 and May 1 of each fiscal year.

2017 School Improvement Bonds (QZAB)

On December 28, 2017, the School District issued a bond for \$1,416,424, known as the 2017 Improvement Bonds, which are Qualified Zone Academy Bonds (QZAB). The proceeds of the bond financed the Honeywell Project. The bond matures in fiscal year 2033. \$94,428 is to be transferred by the School into a separate cash account on December 15 each year until the full \$1,416,424 has been accumulated, at which point the cash will be used to satisfy the bonds in full.

2020 General Obligation Unlimited Tax Refunding Bonds

On September 23, 2020, the School District issued refunding bonds for \$7,970,000 known as the 2020 Refunding Bonds (General Obligation – Unlimited Tax). The proceeds were used to retire the 2011 Refunding Bonds, which were callable on May 1, 2021. The 2020 bonds mature in the 2029 fiscal year with annual principal payments ranging from \$250,000-\$965,000 and semi-annual interest payments at an interest rate of 2.00%. The refunding is expected to save the School District approximately \$1,275,538 over the course of the 2020 refunding bond life with an economic gain of approximately \$1,210,993.

2021 Capital Improvement Bonds

On July 27, 2021, the School District issued a bond for \$30,750,000 known as the 2021 School Building and Site Bonds. The proceeds of the bond will finance school building and site improvements. The bond matures in fiscal year 2047 and has an interest rate ranging from 2.000% to 2.250%. Principal payments of \$350,000 to \$1,705,000 are due May 1 of each fiscal year and interest payments are due each November 1 and May 1 of each fiscal year.

The following is a summary of the changes in long-term debt (including current portion) of the School District for the year ended June 30, 2022:

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Notes to the Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds					
2012 QZAB energy conservation improvement bonds	\$ 1,285,000	\$ -	\$ (197,692)	\$ 1,087,308	\$ 197,692
2017 QZAB school improvement bonds	1,416,424	-	-	1,416,424	-
2020 refunding bonds	7,720,000	-	(965,000)	6,755,000	965,000
2021 capital improvement bonds	-	30,750,000	(350,000)	30,400,000	700,000
Bonds premiums	372,369	567,378	(69,241)	870,506	-
Total general obligation bonds	<u>\$ 10,793,793</u>	<u>\$ 31,317,378</u>	<u>\$ (1,581,933)</u>	<u>\$ 40,529,238</u>	<u>\$ 1,862,692</u>
Deferred charge on bond refunding	<u>\$ (319,700)</u>	<u>\$ -</u>	<u>\$ 39,962</u>	<u>\$ (279,738)</u>	<u>\$ -</u>
Compensated absences	<u>\$ 147,941</u>	<u>\$ 6,814</u>	<u>\$ -</u>	<u>\$ 154,755</u>	<u>\$ 24,114</u>

Annual debt service requirements, exclusive of compensated absences, for long-term debt outstanding as of June 30, 2022 follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,862,692	\$ 811,599	\$ 2,674,291
2024	1,877,692	769,897	2,647,589
2025	1,947,692	727,895	2,675,587
2026	1,992,692	684,489	2,677,181
2027	2,027,692	640,191	2,667,883
2028-2032	7,618,848	2,622,238	10,241,086
2033-2037	8,206,424	1,936,838	10,143,262
2038-2042	7,510,000	1,224,169	8,734,169
2043-2046	6,615,000	376,089	6,991,089
Totals:	<u>\$ 39,658,732</u>	<u>\$ 9,793,405</u>	<u>\$ 49,452,137</u>

Accumulated unpaid compensation for termination leave pay at June 30, 2022 has been computed and recorded in the financial statements as a long-term liability as the liability is expected to be liquidated from future financial resources. At present, eligible School District employees are entitled to a termination leave payment based on their unused absence days at current pay rate and eligible teachers and certain administrators are entitled to supplemental retirement stipends according to guidelines set forth by the School District. At June 30, 2022, the accumulated liability (expected to be financed by general fund resources) amounted to \$154,755. Termination leave pay is liquidated by the general and food service funds.

Note 8 - Short-term Debt

Short-term Debt Activity

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its general fund. These notes are necessary because the

Manistee Area Public Schools

Notes to the Financial Statements

School District's cash flow obligation to operating expense precede the collection of state aid. Summary information for the state aid notes is listed below in the short-term debt activity schedule.

Summary information for the state aid notes payable are below:

Short-term obligations	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Tax anticipation note 2021	0.70%	2022	\$ 190,104	\$ -	\$ (190,104)	\$ -	\$ -
Total short-term obligations			\$ 190,104	\$ -	\$ (190,104)	\$ -	\$ -

Note 9 - Pension Plan

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

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

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

Benefits Provided

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

Manistee Area Public Schools

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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 fiscal year ended September 30, 2021:

<u>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</u>
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 \$2,403,016 for the year ended September 30, 2021.

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 \$18,947,575 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 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions

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required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.08003 percent, which was a decrease of 0.00101 percent from its proportion measured as of September 30, 2020.

For the year ending June 30, 2022, the School District recognized pension expense of \$1,705,690. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 293,506	\$ 111,579
Changes of assumptions	1,194,387	-
Net difference between projected and actual earnings on pension plan investments	-	6,091,584
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	635,242
Employer contributions subsequent to the measurement date	2,309,662	-
Total	\$ 3,797,555	\$ 6,838,405

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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:

Plan Year Ended September 30	Amount:
2022	\$ (839,149)
2023	(1,243,461)
2024	(1,585,591)
2025	(1,682,311)

Actuarial Assumptions

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

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80% net of investment expenses
- Pension Plus Plan:	6.80% net of investment expenses
- Pension Plus 2 Plan:	6.00% net of investment expenses
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 Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

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

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

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Notes to the Financial Statements

major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

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

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

Rate of Return

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

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine 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.

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Notes to the Financial Statements

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 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 higher:

Net Pension Liability at 1% Decrease 5.80% / 5.80% / 5.00%	Current Single Discount Rate Assumption at Current Discount Rate 6.80% / 6.80% / 6.00%	Net Pension Liability at 1% Decrease 7.80% / 7.80% / 7.00%
\$27,089,893	\$18,947,575	\$12,197,059

** Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.*

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

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

Note 10 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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at www.michigan.gov/orsschools.

Benefits Provided

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

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

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

Contributions

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

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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>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</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 \$590,124 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$1,213,388 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.07949%, which was a decrease of 0.00034% from its proportion measured as of October 1, 2020.

For the year ending June 30, 2022, the School District recognized OPEB expense of \$(787,098).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 3,463,528
Changes of assumptions	1,014,332	151,782
Net difference between projected and actual earnings on OPEB plan investments	-	914,552
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,265	276,838
Employer contributions subsequent to the measurement date	449,104	-
Total	\$ 1,487,701	\$ 4,806,700

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year 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:

Plan Year Ended	
September 30	Amount:
2022	\$ (1,023,732)
2023	(913,717)
2024	(795,570)
2025	(746,626)
2026	(255,001)
Thereafter	(33,457)

Actuarial Assumptions

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

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

Mortality:

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

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

Other Assumptions:

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

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

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312
- Recognition period for assets in years: 5.0000

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- 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/Opportunistic Pools	12.5	6.1
Short-term Investment Pools	2.0	(1.3)
Total	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on 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

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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:

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
<u>\$2,254,693</u>	<u>\$1,213,388</u>	<u>\$329,691</u>

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:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$295,329</u>	<u>\$1,213,388</u>	<u>\$2,246,314</u>

OPEB Plan Fiduciary Net Position

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

Note 11 - 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; and natural disasters for which the School District carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years

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Notes to the Financial Statements

Note 12 - Fund Balance

The School District reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Detailed information on fund balances of governmental funds is as follows:

	<u>General Fund</u>	<u>2021 Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventories	\$ -	\$ -	\$ 26,477	\$ 26,477
Prepaid items	70,518	-	4,291	74,809
<i>Total nonspendable</i>	<u>70,518</u>	<u>-</u>	<u>30,768</u>	<u>101,286</u>
Restricted for:				
Athletics	-	-	95,428	95,428
Aquatics	-	-	108,392	108,392
Food services	-	-	528,238	528,238
Debt service	-	-	1,120,352	1,120,352
Capital projects	-	29,595,069	-	29,595,069
<i>Total restricted</i>	<u>-</u>	<u>29,595,069</u>	<u>1,852,410</u>	<u>31,447,479</u>
Committed for student activities	<u>-</u>	<u>-</u>	<u>210,524</u>	<u>210,524</u>
Assigned for capital projects	<u>-</u>	<u>-</u>	<u>461,766</u>	<u>461,766</u>
Unassigned	<u>5,650,599</u>	<u>-</u>	<u>-</u>	<u>5,650,599</u>
<i>Total fund balances - governmental funds</i>	<u>\$ 5,721,117</u>	<u>\$ 29,595,069</u>	<u>\$ 2,555,468</u>	<u>\$ 37,871,654</u>

Note 13 - Subsequent Events and Commitments

The School executed a contract for \$2,534,000 on December 10, 2021 for various building ventilation and lighting improvements. As of June 30, 2022, \$1,867,000 was paid toward the contract price leaving a balance of \$667,000 to be paid upon completion of the project. The project is scheduled for completion during fiscal 2023.

The Administration and Board of Education is not aware of any subsequent events that would have a significant impact on the financial condition of the School District.

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Local sources	\$ 4,465,500	\$ 4,464,000	\$ 4,469,091	\$ 5,091
Non-educational entity sources	593,750	593,750	593,762	12
State sources	9,016,450	9,204,700	9,227,481	22,781
Federal sources	2,778,950	3,443,300	3,217,285	(226,015)
Interdistrict sources	1,038,850	1,036,600	1,026,622	(9,978)
Other revenue	180,000	180,000	179,116	(884)
Total Revenues	18,073,500	18,922,350	18,713,357	(208,993)
Expenditures				
Instruction				
Elementary instruction	2,935,075	2,953,575	2,940,928	12,647
Middle school instruction	1,762,850	1,762,850	1,751,207	11,643
High school instruction	2,828,875	2,803,375	2,786,236	17,139
Pre-kindergarten instruction	298,975	298,975	226,541	72,434
Summer enrichment program	82,000	82,001	82,001	--
Special education instruction	843,500	843,500	819,727	23,773
Compensatory instruction	335,025	335,025	295,168	39,857
Vocational instruction	110,000	110,000	110,000	--
Total instruction	9,196,300	9,189,301	9,011,808	177,493
Supporting services				
Guidance services	382,600	369,000	354,517	14,483
Psychological services	173,325	173,325	168,636	4,689
Other pupil services	544,050	551,050	539,898	11,152
Improvement of instruction	466,000	474,400	412,043	62,357
Library services	36,900	39,500	32,550	6,950
Board of education	206,000	176,000	163,357	12,643
Executive administration	344,550	351,400	344,649	6,751
Building administration	948,475	948,475	920,831	27,644
Fiscal services	419,500	419,500	403,894	15,606
Other business services	11,500	11,500	6,436	5,064
Operations and maintenance	2,807,500	3,488,475	3,487,046	1,429
Transportation services	881,475	829,475	807,542	21,933
Technology services	498,675	498,675	495,664	3,011
Community services	6,200	6,200	843	5,357
Custody and care children	32,000	32,000	31,975	25
Non-public pupils	20,675	22,375	15,345	7,030
Total supporting services	7,779,425	8,391,350	8,185,226	206,124
Total Expenditures	16,975,725	17,580,651	17,197,034	383,617
Other Financing Uses				
Transfers out	1,077,225	1,341,700	1,337,672	4,028
Total Expenditures and Other Financing Uses	18,052,950	18,922,351	18,534,706	387,645
Excess (Deficiency) of Revenues Over Expenditures and Other Uses				
Net Change in Fund Balance	20,550	(1)	178,651	178,652
<i>Fund Balance at Beginning of Period</i>	5,543,003	5,543,003	5,543,003	--
Fund Balance at End of Period	\$ 5,563,553	\$ 5,543,002	\$ 5,721,654	\$ 178,652

Manistee Area Public Schools
Schedule of School District's Proportionate Share of Net Pension Liability
Michigan Public School Employee Retirement Plan
Last Eight Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Portion of Net Pension Liability (%)	0.08003%	0.08104%	0.08187%	0.08325%	0.08605%	0.08692%	0.08415%	0.08585%
School District's Proportionate Share of Net Pension Liability	\$ 18,947,575	\$ 27,837,579	\$ 27,111,210	\$ 25,026,693	\$ 22,299,506	\$ 21,685,158	\$ 20,554,473	\$ 18,909,145
School District's Covered Payroll	\$ 7,212,550	\$ 7,092,597	\$ 7,152,153	\$ 6,966,716	\$ 7,122,097	\$ 7,450,929	\$ 7,125,910	\$ 7,176,147
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	262.70%	392.49%	379.06%	359.23%	313.10%	291.04%	288.45%	263.50%
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%

Manistee Area Public Schools
Schedule of School District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last Eight School District Fiscal Years (Amounts determined as of June 30 of each year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 2,403,016	\$ 2,227,041	\$ 2,174,798	\$ 2,266,937	\$ 2,018,356	\$ 1,951,773	\$ 1,623,427	\$ 1,333,529
Contributions in Relation to Statutorily Required Contributions	<u>2,403,016</u>	<u>2,227,041</u>	<u>2,174,798</u>	<u>2,266,937</u>	<u>2,018,356</u>	<u>1,951,773</u>	<u>1,623,427</u>	<u>1,333,529</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 7,568,150	\$ 7,095,952	\$ 7,106,550	\$ 7,165,818	\$ 6,944,832	\$ 7,162,096	\$ 7,125,910	\$ 7,176,147
Contributions as a Percentage of Covered Payroll	31.75%	31.38%	30.60%	31.64%	29.06%	27.25%	22.78%	18.58%

Manistee Area Public Schools
Schedule of School District's Proportionate Share of Net OPEB Liability
Michigan Public School Employee Retirement Plan
Last Five Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.07949%	0.07984%	0.08164%	0.08122%	0.08613%
School District's Proportionate Share of Net OPEB Liability	\$ 1,213,388	\$ 4,277,090	\$ 5,860,049	\$ 6,455,807	\$ 7,626,799
School District's Covered Payroll	\$ 7,212,550	\$ 7,092,597	\$ 7,152,153	\$ 6,966,716	\$ 7,122,097
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	16.82%	60.30%	81.93%	92.67%	107.09%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	87.33%	59.44%	48.46%	42.95%	36.39%

Manistee Area Public Schools
Schedule of School District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last Five School District Fiscal Years (Amounts determined as of June 30 of each year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 590,124	\$ 564,069	\$ 560,560	\$ 527,169	\$ 670,521
Contributions in Relation to Statutorily Required Contributions	<u>590,124</u>	<u>564,069</u>	<u>560,560</u>	<u>527,169</u>	<u>670,521</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 7,568,150	\$ 7,095,952	\$ 7,106,550	\$ 7,165,818	\$ 6,944,832
Contributions as a Percentage of Covered Payroll	7.80%	7.95%	7.89%	7.36%	9.65%

Combining and Individual Fund Statements and Schedules

**Manistee Area Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Special Revenue				Debt Service			Capital Projects	Total Nonmajor Governmental Funds	
	Athletics	Aquatics	Food Service	Student Activity	2012 QZAB Debt Service	2017 QZAB Debt Service	2020 Refunding Bond	2021 Capital Improvement Bond		Capital Projects
ASSETS										
Cash and investments	\$ 129,320	\$ 74,679	\$ 339,261	\$ 210,524	\$ 29	\$ 377,733	\$ 368,335	\$ 375,001	\$ --	\$ 1,874,882
Receivables	--	7,545	25,228	--	--	--	--	--	--	32,773
Due from other governmental units	--	--	16,077	--	--	--	--	--	--	16,077
Inventories	--	--	26,477	--	--	--	--	--	--	26,477
Prepaid items	4,291	--	--	--	--	--	--	--	--	4,291
Due from other funds	--	28,418	163,568	--	--	--	--	--	461,766	653,752
Total Assets	\$ 133,611	\$ 110,642	\$ 570,611	\$ 210,524	\$ 29	\$ 377,733	\$ 368,335	\$ 375,001	\$ 461,766	\$ 2,608,252
LIABILITIES										
Accounts payable	\$ 1,283	\$ 2,250	\$ 7,034	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 10,567
Unearned revenue	--	--	8,862	--	--	--	--	--	--	8,862
Due to other governmental units	3,479	--	--	--	--	--	--	--	--	3,479
Due to other funds	29,130	--	--	--	--	--	296	450	--	29,876
Total Liabilities	33,892	2,250	15,896	--	--	--	296	450	--	52,784
FUND BALANCE										
Nonspendable	4,291	--	26,477	--	--	--	--	--	--	30,768
Restricted	95,428	108,392	528,238	--	29	377,733	368,039	374,551	--	1,852,410
Committed	--	--	--	210,524	--	--	--	--	--	210,524
Assigned	--	--	--	--	--	--	--	--	461,766	461,766
Unassigned	--	--	--	--	--	--	--	--	--	--
Total Fund Balance	99,719	108,392	554,715	210,524	29	377,733	368,039	374,551	461,766	2,555,468
Total Liabilities and Fund Balance	\$ 133,611	\$ 110,642	\$ 570,611	\$ 210,524	\$ 29	\$ 377,733	\$ 368,335	\$ 375,001	\$ 461,766	\$ 2,608,252

Manistee Area Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue				Debt Service			Capital Projects	Total Nonmajor Governmental Funds	
	Athletics	Aquatics	Food Service	Student Activity	2012 QZAB Debt Service	2017 QZAB Debt Service	2020 Refunding Bond	2021 Capital Improvement Bond		Capital Projects
Revenues										
Local sources	\$ 53,696	\$ 119,237	\$ 299,676	\$ 156,176	\$ 3	\$ --	\$ 1,162,635	\$ 1,162,251	\$ --	\$ 2,953,674
Non-educational entity sources	--	53,704	--	--	--	--	--	--	--	53,704
State sources	--	--	63,923	--	--	--	--	--	--	63,923
Federal sources	--	--	920,278	--	51,500	--	--	--	--	971,778
Other revenue	--	--	2,725	--	--	--	--	--	--	2,725
Total Revenues	53,696	172,941	1,286,602	156,176	51,503	--	1,162,635	1,162,251	--	4,045,804
Expenditures										
Supporting services	--	--	--	156,752	--	--	--	--	--	156,752
Community services	--	285,177	--	--	--	--	--	--	--	285,177
Food services	--	--	1,110,522	--	--	--	--	--	--	1,110,522
Athletics	472,086	--	--	--	--	--	--	--	--	472,086
Capital outlay	--	--	--	--	--	--	--	--	344,400	344,400
Debt service, principal	--	--	--	--	197,692	--	965,000	350,000	--	1,512,692
Debt service, interest	--	--	--	--	54,613	--	154,700	437,700	--	647,013
Total Expenditures	472,086	285,177	1,110,522	156,752	252,305	--	1,119,700	787,700	344,400	4,528,642
Excess of Revenues Over (Under) Expenditures	(418,390)	(112,236)	176,080	(576)	(200,802)	--	42,935	374,551	(344,400)	(482,838)
Other Financing Sources (Uses)										
Transfers in	411,000	105,000	--	--	200,795	94,428	65,974	--	460,475	1,337,672
Transfers out	--	--	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	411,000	105,000	--	--	200,795	94,428	65,974	--	460,475	1,337,672
Net Change in Fund Balance	(7,390)	(7,236)	176,080	(576)	(7)	94,428	108,909	374,551	116,075	854,834
<i>Fund Balance at Beginning of Period</i>	107,109	115,628	378,635	211,100	36	283,305	259,130	--	345,691	1,700,634
Fund Balance at End of Period	\$ 99,719	\$ 108,392	\$ 554,715	\$ 210,524	\$ 29	\$ 377,733	\$ 368,039	\$ 374,551	\$ 461,766	\$ 2,555,468



Manistee Area Public Schools

**MANISTEE AREA PUBLIC SCHOOLS
MANISTEE COUNTY, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2022**

Manistee Area Public Schools
Schedule of Expenditures of Federal Awards
June 30, 2022

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Federal ALN Number</i>	<i>Program or Award Amount</i>	<i>Accrued Revenue at July 1, 2021</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2022</i>
U.S. Department of Agriculture:						
<i>Passed Through Michigan Department of Education:</i>						
Child Nutrition Cluster:						
211961 National School Lunch Program-SSO Lunch	10.555	\$ 72,050	\$ -	\$ 72,050	\$ 72,050	\$ -
221961 National School Lunch Program-SSO Lunch	10.555	527,574	-	527,574	527,574	-
211980 National School Lunch Program - Snacks	10.555	141	-	141	141	-
221980 National School Lunch Program - Snacks	10.555	1,670	-	1,670	1,670	-
211971 National School Lunch Program-SSO Breakfast	10.553	21,936	-	21,936	21,936	-
221971 National School Lunch Program-SSO Breakfast	10.553	178,816	-	178,816	178,816	-
220900 National School Lunch Program-Extended SFSP	10.559	70,158	39,491	70,158	30,667	-
210904 SFSP Operating	10.559	4,081	-	-	4,081	4,081
220910 Food Service Supply Chain Grant	10.555	27,692	-	27,692	27,692	-
Entitlement Commodities - 2022	10.555	55,037	-	55,037	55,037	-
Total Child Nutrition Cluster		959,155	39,491	955,074	919,664	4,081
210980 Pandemic EBT Local Level Costs	10.649	614	-	614	614	-
Total U.S. Department of Agriculture		959,769	39,491	955,688	920,278	4,081
U.S. Department of Education:						
Title I, Part A - Educationally Deprived						
211530 2021	84.010	309,559	149,192	174,321	25,129	-
221530 2122	84.010	314,482	-	257,912	303,304	45,392
Total Title I, Part A		624,041	149,192	432,233	328,433	45,392
Title II, Part A - Improving Teacher Quality State Grants						
210520 2021	84.367	68,290	4,492	12,736	8,244	-
220520 2122	84.367	89,244	-	27,156	37,358	10,202
Total Title II, Part A		157,534	4,492	39,892	45,602	10,202
Title IV, Part A - Student Support and Academic Enrichment						
210750 2021	84.424	27,503	8,337	9,611	1,274	-
220750 2122	84.424	29,908	-	11,182	11,984	802
Total Title IV, Part A		\$ 57,411	\$ 8,337	\$ 20,793	\$ 13,258	\$ 802

See Notes to the Schedule of Expenditures of Federal Awards

Manistee Area Public Schools
Schedule of Expenditures of Federal Awards
June 30, 2022

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Federal ALN Number</i>	<i>Program or Award Amount</i>	<i>Accrued Revenue at July 1, 2021</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2022</i>
U.S. Department of Education:						
ESSER						
201200 2021 - GEER Funds K - 12	84.425C	\$ 82,373	\$ 48,179	\$ 48,179	\$ -	\$ -
201201 2122 - GEER Funds K - 12	84.425C	1,903	-	-	1,136	1,136
211202 2122 - GEER II Teacher and Support Staff Payments	84.425C	24,500	-	24,500	24,500	-
203710 1920 - ESSER I Formula	84.425D	252,251	54,250	54,250	-	-
203711 1920 - ESSER I Formula	84.425D	4,027	-	-	3,953	3,953
213712 2021 - ESSER II Formula	84.425D	1,011,391	8,936	843,080	991,133	156,989
213722 2122 - ESSER II Formula	84.425D	77,372	-	65,464	69,784	4,320
213742 2122 - ESSER II Credit Recovery	84.425D	18,081	-	13,008	16,906	3,898
213762 2022 - ESSER - Formula	84.425D	10,088	-	10,088	10,088	-
213713 2122 - ARP/ESSER III Formula	84.425U	2,273,057	-	929,361	1,589,232	659,871
Total ESSER		3,755,043	111,365	1,987,930	2,706,732	830,167
Total Passed Through Michigan Department of Education		5,553,798	312,877	3,436,536	4,014,303	890,644
Total U.S. Department of Education (Passed through Michigan Department of Ed)		4,594,029	273,386	2,480,848	3,094,025	886,563
Basic Grants to State (Perkins)	84.038	18,477	-	18,477	18,477	-
Total Passed Through Manistee Intermediate School District		18,477	-	18,477	18,477	-
Total U.S. Department of Education		4,612,506	273,386	2,499,325	3,112,502	886,563
U.S. Department of the Interior:						
<i>Passed Through Manistee Intermediate School District:</i>						
Payment in Lieu of Taxes - National Forest	15.226	7,746	-	7,746	7,746	-
Total U.S. Department of the Interior		7,746	-	7,746	7,746	-
U.S. Department of Health and Human Services:						
<i>Passed Through Manistee Intermediate School District:</i>						
Medicaid Outreach	93.778	16,324	-	16,324	16,324	-
Total U.S. Department of Health and Human Services		16,324	-	16,324	16,324	-
Total Federal Financial Assistance		\$ 5,596,345	\$ 312,877	\$ 3,479,083	\$ 4,056,850	\$ 890,644

See Notes to the Schedule of Expenditures of Federal Awards

Manistee Area Public Schools

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the School District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

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

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

Expenditures are in agreement with amounts reported in the financial statements and the grant financial reports. The amounts on the Grant Auditor Report reconcile with this Schedule.

The School District has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2022 that is not included on the schedule of expenditures of federal awards.

Manistee Area Public Schools

Notes to the Schedule of Expenditures of Federal Awards

Note 4 - Adjustments to the Schedule of Expenditures of Federal Awards

The following schedule reconciles federal revenues reported in the fund financial statements to the federal expenditures reported in the Schedule:

Federal revenue reported in the financial statements	
Governmental funds	\$ 4,189,063
Subtract	
Federal subsidy excluded from SEFA presentation (QZAB bond subsidy)	(51,500)
Federal Child Development and Care grant beneficiary (School District was not a subrecipient)	<u>(80,713)</u>
<i>Total expenditures of federal awards</i>	<u>\$ 4,056,850</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manistee Area Public Schools (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 27, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI
October 27, 2022

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Manistee Area Public School's (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI
October 27, 2022

**Manistee Area Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No (none reported)
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No (none reported)
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Name of Federal Program or Cluster	ALN Number
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS
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No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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No matters were reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No prior audit findings were reported.

October 27, 2022

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manistee Area Public Schools (the “School District”) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the OMB Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 27, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There were no new accounting policies adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2022. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension and other post-employment benefits are based on historical trends and industry standards.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and

on internal control over compliance in accordance with the OMB Uniform Guidance dated October 27, 2022.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI