



**MANISTEE AREA PUBLIC SCHOOLS  
MANISTEE COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2023**

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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, 2023, 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, 2023, 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 31, 2023, 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 31, 2023

## **Management's Discussion and Analysis**

**Manistee Area Public Schools  
Management's Discussion and Analysis  
June 30, 2023**

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, 2023. 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, 2023.

***Financial Highlights***

- The assets and deferred outflows of the School District exceeded its liabilities and deferred inflows at the close of this fiscal year by \$3,449,153 (shown as *net position*). The School District had a deficit *unrestricted net position* of \$(17,542,654).
- Revenues of \$24,037,747 exceeded expenses of \$18,617,405 leading to an increase in net position of \$5,420,342 during the year.
- During the year, the School District's governmental funds' fund balances increased by \$271,990, for an ending fund balance of \$38,144,181 across all funds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,999,103, or 32.4% of the general fund's total expenditures and transfers out. Fund balance of the general fund *increased* by \$638,330 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, 2023 and 2022 statements of net position.



## Manistee Area Public Schools' Net Position

| <b>ASSETS</b>                               | <b>2023</b>   | <b>2022</b>    |
|---|---------------|----------------|
| <i>Current Assets</i>                       |               |                |
| Cash and investments                        | \$ 36,547,277 | \$ 37,028,302  |
| Receivables                                 | 8,466,458     | 7,282,873      |
| Due from other governmental units           | 490,699       | 1,052,095      |
| Inventories and prepaid items               | 269,213       | 101,286        |
| <b>Total Current Assets</b>                 | 45,773,647    | 45,464,556     |
| <i>Noncurrent Assets</i>                    |               |                |
| Capital assets, net                         | 28,554,975    | 27,216,953     |
| <b>Total Assets</b>                         | 74,328,622    | 72,681,509     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |               |                |
| Charges on bond refunding                   | 239,776       | 279,738        |
| Pension related                             | 8,677,004     | 3,797,555      |
| OPEB related                                | 2,091,912     | 1,487,701      |
| <b>Total Deferred Outflows of Resources</b> | 11,008,692    | 5,564,994      |
| <b>LIABILITIES</b>                          |               |                |
| <i>Current Liabilities</i>                  |               |                |
| Accounts payable                            | 595,435       | 955,237        |
| Salaries payable                            | 489,848       | 628,332        |
| Accrued employee benefits                   | 251,613       | 304,793        |
| Unearned revenue                            | 133,075       | 233,508        |
| Interest payable                            | 128,316       | 135,266        |
| Due to other governmental units             | 6,159,495     | 5,470,495      |
| Current portion of compensated absences     | 20,241        | 37,363         |
| Current portion of long-term debt           | 1,877,692     | 1,862,692      |
| <b>Total Current Liabilities</b>            | 9,655,715     | 9,627,686      |
| <i>Noncurrent Liabilities</i>               |               |                |
| Long-term debt                              | 36,719,613    | 38,666,546     |
| Compensated absences                        | 102,756       | 117,392        |
| Net pension liability                       | 29,288,952    | 18,947,575     |
| Net OPEB liability                          | 1,646,024     | 1,213,388      |
| <b>Total Liabilities</b>                    | 77,413,060    | 68,572,587     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |               |                |
| Pension related                             | 883,967       | 6,838,405      |
| OPEB related                                | 3,591,134     | 4,806,700      |
| <b>Total Deferred Inflows of Resources</b>  | 4,475,101     | 11,645,105     |
| <b>NET POSITION</b>                         |               |                |
| Net investment in capital assets            | 19,164,442    | 16,562,522     |
| Restricted                                  | 1,827,365     | 1,883,178      |
| Unrestricted                                | (17,542,654)  | (20,416,889)   |
| <b>Total Net Position</b>                   | \$ 3,449,153  | \$ (1,971,189) |

Receivables increased by \$1,183,585 due to the timing of receipts of earned revenues near year end. Conversely, amounts due from other governments decreased by \$561,396 due to the timing of draw requests on grants near year end. Capital assets increased by \$1,338,022 as capital asset additions of \$2,342,619 were in excess of depreciation expense of \$1,004,597. Accounts payable and decreased by \$359,802 due to there being less capital project related payables at the current year end. Amounts due to other governmental units increased by \$689,000, compared to the previous year, as a result of the School District holding more monies owed to the Great Lakes Virtual Academy at year end, largely as a result of increases in state aid amounts. Long-term debt payments were paid according to the amortization schedule, as well as the amortization of related bond premiums, leading to the overall decrease in long-term debt of 1,931,933.

Net pension liability and the related deferred inflows and deferred outflows of resources experienced quite significant swings during the year. Net pension liability increased by \$10,341,377 , pension related deferred outflows increased by \$4,879,449 and pension related deferred inflows decreased by \$5,954,438. This is almost entirely the result of pension assets having a loss on investment of 4.18% during the year; 80% of these losses have been deferred to be recognized as expenses over the next four years; and the amortization of prior year deferred pension expenses combined with the reclassification of prior excess earnings caused the significant decrease in the pension deferred inflow amounts.

Net OPEB liability and the related deferred inflows and deferred outflows or resources also experienced significant fluctuations compared to the previous year. Net OPEB liability increased by \$432,636, OPEB related deferred outflows increased by \$1,215,566, and OPEB related deferred inflows decreased by \$604,211. This is almost entirely the result of OPEB assets having a loss on investment of 4.99% during the year; 80% of these losses have been deferred to be recognized as expenses over the next four years; and the amortization of prior year deferred OPEB expenses combined with the reclassification of prior excess earnings caused the significant decrease in the pension deferred inflow amounts.

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, 2023 and 2022.

## Manistee Area Public Schools' Changes in Net Position

| <b>Revenues</b>                                    | <b>2023</b>         | <b>2022</b>           |
|--|---------------------|-----------------------|
| <b>Program Revenues</b>                            |                     |                       |
| Charges for services                               | \$ 2,384,628        | \$ 2,068,569          |
| Operating grants and contributions                 | 6,931,670           | 5,770,102             |
| Capital grants and contributions                   | 626,998             | 1,589,232             |
| <b>Total Program Revenues</b>                      | <b>9,943,296</b>    | <b>9,427,903</b>      |
| <b>General Revenues</b>                            |                     |                       |
| Property Taxes                                     | 6,471,726           | 6,332,651             |
| Unrestricted state sources                         | 6,865,412           | 6,372,897             |
| Interest and investment earnings                   | 757,313             | 593,762               |
| <b>Total General Revenues</b>                      | <b>14,094,451</b>   | <b>13,299,310</b>     |
| <b>Total Revenues</b>                              | <b>24,037,747</b>   | <b>22,727,213</b>     |
| <b>Expenses</b>                                    |                     |                       |
| Instruction  | 8,101,326           | 7,663,749             |
| Supporting services                                | 6,662,486           | 5,675,057             |
| Community services                                 | 459,857             | 285,177               |
| Food services                                      | 1,166,567           | 838,727               |
| Athletics  | 446,552             | 472,086               |
| Interest and bond issuance costs on long-term debt | 776,020             | 1,323,876             |
| Depreciation (unallocated)                         | 1,004,597           | 983,541               |
| <b>Total Expenses</b>                              | <b>18,617,405</b>   | <b>17,242,213</b>     |
| <b>Change in Net Position</b>                      | <b>5,420,342</b>    | <b>5,485,000</b>      |
| <i>Net Position at Beginning of Period</i>         | <i>(1,971,189)</i>  | <i>(7,456,189)</i>    |
| <b>Net Position at End of Period</b>               | <b>\$ 3,449,153</b> | <b>\$ (1,971,189)</b> |

The School District had an overall increase in net position of \$5,420,342 for the year ended June 30, 2023. Operating grants and contributions increased by \$1,161,568 due to increases in ESSER funds available for operating assistance. Capital grants and contributions decreased by \$962,234 mostly because in the previous year there were more ESSER funds available to be used for funding capital projects costs. Unrestricted state sources increased by \$492,515 due mostly to a \$450 increase in the per pupil funding amount for the year. Interest and bond

Changes within expenses for the School District were largely caused by the changes in net pension liability, net OPEB liability, and their related deferrals. Interest and bond issuance costs on long-term debt decreased by \$547,856 due mostly due to the issuance costs related to the previous year's debt issuance.

### ***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 an increase in fund balance of \$638,330 as revenues of \$19,149,399 were in excess of expenditures of \$16,827,887, and transfers out of \$1,683,182. The general fund ended the year with \$6,359,984 as of June 30, 2023. 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 a decrease in fund balance of \$(628,073) for a total fund balance of \$28,966,996 as of year-end. This was caused by the current year's capital outlays being more than the interest earned from deposits on hand.

The nonmajor governmental funds had an increase in fund balance for the year of \$261,733 for total nonmajor governmental fund balances of \$2,817,201 as of June 30, 2023.

### ***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, 2023, was adopted by the Board of Education in June 2022, with the final amendments made in June 2023.

*Original budget compared to final budget.* The original budget was amended during the year as management and governance expected additional funding to become available during the year. As a significant portion of the School District's funding can be from reimbursement type grants, increases in projected revenues will result in corresponding increases in projected expenditures and transfers out. The largest expected increase in can be seen in transfers out which was increasing from \$1,160,350 to \$1,742,650; these dollars are used to provide operating assistance to other funds of the School District.

*Final budget compared to actual results.* The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2023.

### ***Capital Asset and Debt Administration***

#### ***Capital Assets***

At June 30, 2023, the School District had \$28,554,975 invested in capital assets. This was a net increase during the fiscal year of \$1,338,022 consisting of depreciation charges of \$1,004,597 offset against capital asset purchases of \$2,342,619.

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 \$38,597,305. The School District continued to pay down its debt, retiring \$1,931,933 of outstanding bonds (including bond premiums), loans, and leases during the year.

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, 2023.

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 2023-2024 fiscal year projects total revenues of \$17,418,900 and total expenditures of \$17,418,900. 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, 2023**

|   |                     |
|---|---------------------|
| <b>ASSETS</b>                               |                     |
| <i>Current Assets</i>                       |                     |
| Cash and investments                        | \$ 36,547,277       |
| Receivables                                 | 8,466,458           |
| Due from other governmental units           | 490,699             |
| Inventories                                 | 30,030              |
| Prepaid items                               | 239,183             |
| <b>Total Current Assets</b>                 | <b>45,773,647</b>   |
| <i>Noncurrent Assets</i>                    |                     |
| Capital assets not being depreciated        | 5,045,853           |
| Capital assets being depreciated, net       | 23,509,122          |
| <b>Total Assets</b>                         | <b>74,328,622</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                     |
| Pension related                             | 8,677,004           |
| OPEB related                                | 2,091,912           |
| Charge on bond refunding                    | 239,776             |
| <b>Total Deferred Outflows of Resources</b> | <b>11,008,692</b>   |
| <b>LIABILITIES</b>                          |                     |
| <i>Current Liabilities</i>                  |                     |
| Accounts payable                            | 595,435             |
| Salaries payable                            | 489,848             |
| Accrued employee benefits                   | 251,613             |
| Unearned revenue                            | 133,075             |
| Interest payable                            | 128,316             |
| Due to other governmental units             | 6,159,495           |
| Current portion of compensated absences     | 20,241              |
| Current portion of long-term debt           | 1,877,692           |
| <b>Total Current Liabilities</b>            | <b>9,655,715</b>    |
| <i>Noncurrent Liabilities</i>               |                     |
| Long-term debt                              | 36,719,613          |
| Compensated absences                        | 102,756             |
| Net pension liability                       | 29,288,952          |
| Net OPEB liability                          | 1,646,024           |
| <b>Total Liabilities</b>                    | <b>77,413,060</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                     |
| Pension related                             | 833,967             |
| OPEB related                                | 3,591,134           |
| <b>Total Deferred Inflows of Resources</b>  | <b>4,425,101</b>    |
| <b>NET POSITION</b>                         |                     |
| Net investment in capital assets            | 19,164,442          |
| <i>Restricted for:</i>                      |                     |
| Athletics                                   | 109,390             |
| Aquatics                                    | 31,937              |
| Food services                               | 499,628             |
| Debt service                                | 1,186,410           |
| <i>Unrestricted</i>                         | (17,542,654)        |
| <b>Total Net Position</b>                   | <b>\$ 3,449,153</b> |

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, 2023**

| <b>Functions/Programs</b>       | <b>Expenses</b>      | <b>Program Revenues</b>         |   |   | <b>Net (Expense)<br/>Revenue</b> |
|---------------------------------|----------------------|---------------------------------|---|---|----------------------------------|
|                                 |                      | <b>Charges for<br/>Services</b> | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital Grants<br/>and<br/>Contributions</b> |                                  |
| <b>Governmental Activities:</b> |                      |                                 |   |   |                                  |
| Instruction                     | \$ 8,101,326         | \$ 1,303,762                    | \$ 3,353,910                                      | \$ --   | \$ (3,443,654)                   |
| Supporting services             | 6,662,486            | 277,180                         | 2,598,684   | 626,998   | (3,159,624)                      |
| Food services                   | 1,166,567            | 619,262                         | 758,642   | --  | 211,337                          |
| Community services              | 459,857              | 140,496                         | 176,677   | --  | (142,684)                        |
| Athletics                       | 446,552              | 43,928                          | --  | --  | (402,624)                        |
| Unallocated Depreciation        | 1,004,597            | --                              | --  | --  | (1,004,597)                      |
| Debt service, interest          | 776,020              | --                              | 43,757  | --  | (732,263)                        |
| <b>Total</b>                    | <b>\$ 18,617,405</b> | <b>\$ 2,384,628</b>             | <b>\$ 6,931,670</b>                               | <b>\$ 626,998</b>                               | <b>(8,674,109)</b>               |

**General Purpose Revenues:**

|   |                     |
|---|---------------------|
| Property taxes, levied for general operations | 4,243,473           |
| Property taxes, levied for debt service       | 2,228,253           |
| Interest and investment earnings              | 757,313             |
| Unrestricted State Aid                        | 6,865,412           |
| <b>Total General Revenues</b>                 | <b>14,094,451</b>   |
| <b>Change in Net Position</b>                 | <b>5,420,342</b>    |
| <i>Net Position at Beginning of Period</i>    | (1,971,189)         |
| <b>Net Position at End of Period</b>          | <b>\$ 3,449,153</b> |

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

**Manistee Area Public Schools  
Balance Sheet  
Governmental Funds  
June 30, 2023**

|   | <u>Capital Projects</u> |                                      |   | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|--------------------------------------|---|---|
|   | <b>General</b>          | <b>2021 Capital<br/>Project Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> |   |
| <b>ASSETS</b>                             |                         |                                      |   |   |
| Cash and investments                      | \$ 5,460,635            | \$ 28,966,996                        | \$ 2,119,646                            | \$ 36,547,277                           |
| Receivables                               | 8,406,039               | --                                   | 60,419                                  | 8,466,458                               |
| Due from other governmental units         | 459,942                 | --                                   | 30,757                                  | 490,699                                 |
| Inventories                               | --                      | --                                   | 30,030                                  | 30,030                                  |
| Prepaid items                             | 237,885                 | --                                   | 1,298                                   | 239,183                                 |
| Due from other funds                      | 159,194                 | --                                   | 840,770                                 | 999,964                                 |
| <b>Total Assets</b>                       | <b>\$ 14,723,695</b>    | <b>\$ 28,966,996</b>                 | <b>\$ 3,082,920</b>                     | <b>\$ 46,773,611</b>                    |
| <b>LIABILITIES</b>                        |                         |                                      |   |   |
| Accounts payable                          | \$ 491,388              | \$ --                                | \$ 104,047                              | \$ 595,435                              |
| Salaries payable                          | 489,848                 | --                                   | --                                      | 489,848                                 |
| Accrued employee benefits                 | 251,311                 | --                                   | 302                                     | 251,613                                 |
| Unearned revenue                          | 130,899                 | --                                   | 2,176                                   | 133,075                                 |
| Due to other governmental units           | 6,159,495               | --                                   | --                                      | 6,159,495                               |
| Due to other funds                        | 840,770                 | --                                   | 159,194                                 | 999,964                                 |
| <b>Total Liabilities</b>                  | <b>8,363,711</b>        | <b>--</b>                            | <b>265,719</b>                          | <b>8,629,430</b>                        |
| <b>FUND BALANCE</b>                       |                         |                                      |   |   |
| Nonspendable                              | 237,885                 | --                                   | 31,328                                  | 269,213                                 |
| Restricted                                | --                      | 28,966,996                           | 1,796,037                               | 30,763,033                              |
| Committed                                 | --                      | --                                   | 196,855                                 | 196,855                                 |
| Assigned                                  | 122,996                 | --                                   | 792,981                                 | 915,977                                 |
| Unassigned                                | 5,999,103               | --                                   | --                                      | 5,999,103                               |
| <b>Total Fund Balance</b>                 | <b>6,359,984</b>        | <b>28,966,996</b>                    | <b>2,817,201</b>                        | <b>38,144,181</b>                       |
| <b>Total Liabilities and Fund Balance</b> | <b>\$ 14,723,695</b>    | <b>\$ 28,966,996</b>                 | <b>\$ 3,082,920</b>                     | <b>\$ 46,773,611</b>                    |

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, 2023**

|  |           |                         |
|--|-----------|-------------------------|
| Total Fund Balance - Governmental Funds  | \$        | 38,144,181              |
| General government capital assets of \$43,136,642, net of accumulated depreciation of \$14,581,667, are not financial resources and, accordingly, are not reported in the funds.                                 |           | 28,554,975              |
| Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.  |           | (128,316)               |
| 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.                  |           | (61,130,522)            |
| 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. |           | (4,039,877)             |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.   |           | 3,809,625               |
| Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.  |           | (1,877,692)             |
| 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.  |           | 239,776                 |
| Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.  |           | (143,238)               |
| Change to compensated absences are not shown in the fund financial statements. This amounts represents the change in compensated absences during the current year.   |           | 20,241                  |
| <b>Total Net Position - Governmental Activities</b>  | <b>\$</b> | <b><u>3,449,153</u></b> |

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

**Manistee Area Public Schools**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

|   | <u>General</u>      | <u>Capital Projects</u><br>2021 Capital<br>Project Fund | <u>Other</u><br>Governmental<br>Funds | <u>Total</u><br>Governmental<br>Funds |
|---|---------------------|---|---------------------------------------|---------------------------------------|
| <b>Revenues</b>   |                     |   |                                       |                                       |
| Local sources   | \$ 4,841,635        | \$ 704,507  | \$ 3,235,728                          | \$ 8,781,870                          |
| Non-educational entity sources                          | 698,471             | --  | 53,704                                | 752,175                               |
| State sources   | 11,060,928          | --  | 123,387                               | 11,184,315                            |
| Federal sources   | 1,146,310           | --  | 771,022                               | 1,917,332                             |
| Interdistrict sources                                   | 1,326,701           | --  | --                                    | 1,326,701                             |
| Other revenue   | 75,354              | --  | --                                    | 75,354                                |
| <b>Total Revenues</b>                                   | <u>19,149,399</u>   | <u>704,507</u>  | <u>4,183,841</u>                      | <u>24,037,747</u>                     |
| <b>Expenditures</b>                                     |                     |   |                                       |                                       |
| Instruction   | 9,402,384           | --  | --                                    | 9,402,384                             |
| Supporting services                                     | 7,425,503           | --  | 148,056                               | 7,573,559                             |
| Community services                                      | --                  | --  | 544,519                               | 544,519                               |
| Food services   | --                  | --  | 1,372,437                             | 1,372,437                             |
| Athletics   | --                  | --  | 446,552                               | 446,552                               |
| Capital outlay  | --                  | 1,332,580   | 418,785                               | 1,751,365                             |
| Debt service, principal                                 | --                  | --  | 1,862,692                             | 1,862,692                             |
| Debt service, interest                                  | --                  | --  | 812,249                               | 812,249                               |
| <b>Total Expenditures</b>                               | <u>16,827,887</u>   | <u>1,332,580</u>  | <u>5,605,290</u>                      | <u>23,765,757</u>                     |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b> | <u>2,321,512</u>    | <u>(628,073)</u>  | <u>(1,421,449)</u>                    | <u>271,990</u>                        |
| <b>Other Financing Sources (Uses)</b>                   |                     |   |                                       |                                       |
| Transfers in  | --                  | --  | 1,683,182                             | 1,683,182                             |
| Transfers out   | (1,683,182)         | --  | --                                    | (1,683,182)                           |
| <b>Net Other Financing Sources (Uses)</b>               | <u>(1,683,182)</u>  | <u>--</u>   | <u>1,683,182</u>                      | <u>--</u>                             |
| <b>Net Change in Fund Balance</b>                       | <b>638,330</b>      | <b>(628,073)</b>  | <b>261,733</b>                        | <b>271,990</b>                        |
| <i>Fund Balance at Beginning of Period</i>              | 5,721,654           | 29,595,069  | 2,555,468                             | 37,872,191                            |
| <b>Fund Balance at End of Period</b>                    | <b>\$ 6,359,984</b> | <b>\$ 28,966,996</b>                                    | <b>\$ 2,817,201</b>                   | <b>\$ 38,144,181</b>                  |

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, 2023**

|  |    |         |
|--|----|---------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 271,990 |
|--|----|---------|

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 \$2,342,619 exceed depreciation expense of \$1,004,597.

|  |  |           |
|--|--|-----------|
|  |  | 1,338,022 |
|--|--|-----------|

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.

|  |  |       |
|--|--|-------|
|  |  | 6,950 |
|--|--|-------|

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.

|  |  |           |
|--|--|-----------|
|  |  | 1,387,141 |
|--|--|-----------|

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.

|  |  |         |
|--|--|---------|
|  |  | 492,510 |
|--|--|---------|

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

|  |  |           |
|--|--|-----------|
|  |  | 1,931,933 |
|--|--|-----------|

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

|  |  |        |
|--|--|--------|
|  |  | 31,758 |
|--|--|--------|

|  |           |                         |
|--|-----------|-------------------------|
| <b>Changes in Net Position - Governmental Activities</b> | <b>\$</b> | <b><u>5,420,342</u></b> |
|--|-----------|-------------------------|

**Manistee Area Public Schools  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2023**

|                             | <b>Private Purpose<br/>Trust</b> |
|-----------------------------|----------------------------------|
|                             | <b>Scholarship Fund</b>          |
| <b>ASSETS</b>               |                                  |
| Cash and investments        | \$ 59,655                        |
| <i>Total Assets</i>         | <i>59,655</i>                    |
| <b>LIABILITIES</b>          |                                  |
| Payroll liabilities         | --                               |
| <i>Total Liabilities</i>    | <i>--</i>                        |
| <b>NET POSITION</b>         |                                  |
| Restricted for scholarships | <b>\$ 59,655</b>                 |

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, 2023**

|  | <b>Private Purpose<br/>Trust</b> |
|--|----------------------------------|
|  | <b>Scholarship Fund</b>          |
| <b>Additions</b>                           |                                  |
| Gifts and contributions                    | \$ 5,000                         |
| Interest earned                            | 149                              |
| <b>Total Additions</b>                     | <b>5,149</b>                     |
| <b>Deductions</b>                          |                                  |
| Payroll related                            | --                               |
| Scholarships awarded                       | 5,000                            |
| Other expenses                             | 58                               |
| <b>Total Deductions</b>                    | <b>5,058</b>                     |
| <b>Change in Net Position</b>              | <b>91</b>                        |
| <i>Net Position at Beginning of Period</i> | <i>59,564</i>                    |
| <i>Net Position at End of Period</i>       | <b>\$ 59,655</b>                 |

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

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### **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 \$1,028,245 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

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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

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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

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- 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 2022 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

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- 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 uncollectable 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.

## Manistee Area Public Schools

### Notes to the Financial Statements

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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.

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***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.

## Manistee Area Public Schools

### Notes to the Financial Statements

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#### ***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* 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

## Manistee Area Public Schools

### Notes to the Financial Statements

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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.

#### ***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.



## Manistee Area Public Schools

### Notes to the Financial Statements

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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 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, 2023.

##### *District-wide Net Position Deficit*

The School District had an unrestricted net position deficit and a total positive net position for District-wide activities in the amount of \$(17,542,654) and \$4,169,229 respectively, as of June 30, 2023.

## Manistee Area Public Schools

### Notes to the Financial Statements

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#### 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, 2023:

|  |                            |
|--|----------------------------|
| <b>Statement of net position</b>             |                            |
| Cash and investments                         | \$36,547,277               |
| <b>Statement of fiduciary net position</b>   |                            |
| Cash and investments                         | <u>59,655</u>              |
| <b><i>Total cash and investments</i></b>     | <b><u>\$36,606,932</u></b> |
| <b>Deposits and investments</b>              |                            |
| Checking and savings accounts                | \$36,605,023               |
| Cash on hand                                 | <u>1,909</u>               |
| <b><i>Total deposits and investments</i></b> | <b><u>\$36,606,932</u></b> |

***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, \$36,246,097 of the School District's bank balance of \$36,947,457 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

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**Note 4 - Interfund Receivables, Payables, and Transfers**

Interfund balances at June 30, 2023 consisted of fund receivables and payables listed below:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>     |
|------------------------|---------------------|-------------------|
| General                | Non-Major           | \$ 159,194        |
| Non-Major              | General             | 840,770           |
| <b><i>Total</i></b>    |                     | <u>\$ 999,964</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>       |
|---------------------|----------------------|---------------------|
| Non-Major           | General              | \$ 1,683,182        |
| <b><i>Total</i></b> |                      | <u>\$ 1,683,182</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. State funding provided approximately 46.5% of the total revenues to the School District during the fiscal year.

## Manistee Area Public Schools

### Notes to the Financial Statements

#### Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

|  | <b>Beginning<br/>Balance</b> | <b>Additions</b>   | <b>Deletions</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|--------------------|------------------|---------------------------|
| <b>Capital assets not being depreciated:</b> |                              |                    |                  |                           |
| Construction in progress                     | 3,013,797                    | 2,032,056          | -                | 5,045,853                 |
| <b>Capital assets being depreciated:</b>     |                              |                    |                  |                           |
| Buildings and improvements                   | 35,292,582                   |                    |                  | 35,292,582                |
| Vehicles and buses                           | 1,423,137                    | 58,659             | (145,668)        | 1,336,128                 |
| Contents and equipment                       | 1,210,175                    | 251,904            | -                | 1,462,079                 |
| <i>Subtotal</i>                              | <u>37,925,894</u>            | <u>310,563</u>     | <u>(145,668)</u> | <u>38,090,789</u>         |
| <b>Less accumulated depreciation:</b>        |                              |                    |                  |                           |
| Buildings and improvements                   | (11,865,888)                 | (810,389)          | -                | (12,676,277)              |
| Vehicles and buses                           | (824,710)                    | (128,545)          | 145,668          | (807,587)                 |
| Contents and equipment                       | (1,032,140)                  | (65,663)           | -                | (1,097,803)               |
| <i>Subtotal</i>                              | <u>(13,722,738)</u>          | <u>(1,004,597)</u> | <u>145,668</u>   | <u>(14,581,667)</u>       |
| <i>Capital assets being depreciated, net</i> | <u>24,203,156</u>            | <u>(694,034)</u>   | <u>-</u>         | <u>23,509,122</u>         |
| <i>Capital assets, net</i>                   | <u>27,216,953</u>            | <u>1,338,022</u>   | <u>-</u>         | <u>28,554,975</u>         |

Depreciation expense for the fiscal year ended June 30, 2023 amounted to \$1,004,597. 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

##### *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

## Manistee Area Public Schools

### Notes to the Financial Statements

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, 2023:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>     | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|---|------------------------------|------------------|-----------------------|---------------------------|--------------------------------|
| <b>General obligation bonds</b>                 |                              |                  |                       |                           |                                |
| 2012 QZAB energy conservation improvement bonds | \$ 1,087,308                 | \$ -             | \$ (197,692)          | \$ 889,616                | \$ 197,692                     |
| 2017 QZAB school improvement bonds              | 1,416,424                    | -                | -                     | 1,416,424                 | -                              |
| 2020 refunding bonds                            | 6,755,000                    | -                | (965,000)             | 5,790,000                 | 965,000                        |
| 2021 capital improvement bonds                  | 30,400,000                   | -                | (700,000)             | 29,700,000                | 715,000                        |
| Bonds premiums                                  | 870,506                      | -                | (69,241)              | 801,265                   | -                              |
| <b>Total general obligation bonds</b>           | <u>\$ 40,529,238</u>         | <u>\$ -</u>      | <u>\$ (1,931,933)</u> | <u>\$ 38,597,305</u>      | <u>\$ 1,877,692</u>            |
| <b>Deferred charge on bond refunding</b>        | <u>\$ (279,738)</u>          | <u>\$ -</u>      | <u>\$ 39,962</u>      | <u>\$ (239,776)</u>       | <u>\$ -</u>                    |
| <b>Compensated absences</b>                     | <u>\$ 154,755</u>            | <u>\$ -</u>      | <u>\$ (31,758)</u>    | <u>\$ 122,997</u>         | <u>\$ 20,241</u>               |

Annual debt service requirements, exclusive of compensated absences, for long-term debt outstanding as of June 30, 2023 follows:

## Manistee Area Public Schools

### Notes to the Financial Statements

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| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>     | <b>Interest</b>     | <b>Total</b>         |
|---------------------------------|----------------------|---------------------|----------------------|
| 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                            | 1,963,848            | 595,189             | 2,559,037            |
| 2029-2033                       | 8,376,424            | 2,467,637           | 10,844,061           |
| 2034-2038                       | 6,925,000            | 1,801,038           | 8,726,038            |
| 2039-2043                       | 7,670,000            | 1,068,219           | 8,738,219            |
| 2044-2046                       | 5,015,000            | 227,250             | 5,242,250            |
| <b>Totals:</b>                  | <b>\$ 37,796,040</b> | <b>\$ 8,981,805</b> | <b>\$ 46,777,845</b> |

Accumulated unpaid compensation for termination leave pay at June 30, 2023 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, 2023, the accumulated liability (expected to be financed by general fund resources) amounted to \$122,997. Termination leave pay is liquidated by the general and food service funds.

#### **Note 8 - Short-term Debt**

##### ***Short-term Debt Activity***

If considered necessary, 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 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.

The School District did not need to issue short-term debt during fiscal year 2023.

## Manistee Area Public Schools

### Notes to the Financial Statements

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#### **Note 9 - Pension Plan**

##### ***Plan Description***

The Michigan Public School Employees' Retirement System ("System" or "MPERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of 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 [Michigan.gov/ORSSchools](http://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.

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***

## Manistee Area Public Schools

### Notes to the Financial Statements

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 Sept. 30, 2021, valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended Sept. 30, 2022:

| <u>Benefit Structure</u> | <u>Member</u> | <u>Non-Universities</u> |
|--------------------------|---------------|-------------------------|
| Basic                    | 0.0 - 4.0%    | 20.14%                  |
| Member investment plan   | 3.0 - 7.0%    | 20.14%                  |
| Pension plus             | 3.0 - 6.4%    | 17.22%                  |
| Pension plus 2           | 6.2%          | 19.93%                  |
| Defined contribution     | 0.0%          | 13.73%                  |

Required contributions to the pension plan from the School were \$2,650,648 for the year ended Sept. 30, 2022.

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

At June 30, 2023, the School reported a liability of \$29,288,952 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of Sept. 30, 2022, 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's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At Sept. 30, 2022, the School's proportion was .07787 percent, which was a decrease of .00216 percent from its proportion measured as of Sept. 30, 2021.

For the year ending June 30, 2023, the School recognized pension expense of \$3,126,819. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**Manistee Area Public Schools**

Notes to the Financial Statements

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between actual and expected experience  | \$ 292,992                                | \$ 65,487                                |
| Changes of assumptions  | 5,032,892                                 | -  |
| Net difference between projected and actual earnings on pension plan investments                              | 68,683                                    | -  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,016                                     | 818,480                                  |
| Employer contributions subsequent to the measurement  | 3,281,421                                 | -  |
| <b>Total</b>  | <b>\$ 8,677,004</b>                       | <b>\$ 883,967</b>                        |

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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Plan Year Ended<br/>September 30</b> | <b>Amount:</b> |
|---|----------------|
| 2023                                    | \$ 1,213,591   |
| 2024                                    | 882,516        |
| 2025                                    | 790,376        |
| 2026                                    | 1,625,133      |

***Actuarial Assumptions***

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

Additional information as of the latest actuarial valuation follows:

## Manistee Area Public Schools

### Notes to the Financial Statements

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#### Summary of Actuarial Assumptions

|                                     |   |
|-------------------------------------|---|
| Valuation Date:                     | September 30, 2021  |
| Actuarial Cost Method:              | Entry Age, Normal   |
| Wage Inflation Rate:                | 2.75%   |
| Investment Rate of Return:          |   |
| - MIP and Basic Plans:              | 6.00%, net of investment expenses   |
| - Pension Plus Plan:                | 6.00%, 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 Sept. 30, 2018 valuation. The total pension liability as of Sept. 30, 2022, is based on the results of an actuarial valuation date of Sept. 30, 2021, 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: 4.3922 for non-university employers.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchools](http://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 buildingblock method in which best-estimate ranges of expected future real rates of return

## Manistee Area Public Schools

### Notes to the Financial Statements

(expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of Sept. 30, 2022, are summarized in the following table:

| <b>Asset Class</b>                   | <b>Target Allocation</b> | <b>Long-term Expected Real Rate of Return*</b> |
|--------------------------------------|--------------------------|--|
| Domestic equity pools                | 25.0%                    | 5.1%   |
| Private equity pools                 | 16.0                     | 8.7  |
| International equity pools           | 15.0                     | 6.7  |
| Fixed income pools                   | 13.0                     | (0.2)  |
| Real estate and infrastructure pools | 10.0                     | 5.3  |
| Absolute return pools                | 9.0                      | 2.7  |
| Real return/opportunistic pools      | 10.0                     | 5.8  |
| Short-term investment pools          | 2.0                      | (0.5)  |
| <b>Total</b>                         | <b>100.0%</b>            |  |

#### ***Rate of Return***

For the fiscal year ended Sept. 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. 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 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### ***Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate***

**Manistee Area Public Schools**

Notes to the Financial Statements

The following presents the School’s proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

| Net Pension Liability at 1%<br>Decrease 5.00% | Current Single Discount Rate Assumption<br>at Current Discount Rate<br>6.00% | Net Pension Liability at 1%<br>Decrease 7.00% |
|---|--|---|
| \$38,650,536                                  | \$29,288,952   | \$21,574,586                                  |

***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 ACFR, available on the ORS website at [Michigan.gov/ORSSchools](http://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 and a fiduciary component unit of the State of Michigan (“State”) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members- eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

The System’s financial statements are available on the ORS website at [Michigan.gov/ORSSchools](http://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

## Manistee Area Public Schools

### Notes to the Financial Statements

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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 Jan. 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 Sept 3, 2012 or were on an approved professional services or military leave of absence on Sept. 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 Feb. 1, 2013.

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

#### ***Contributions***

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

Employer 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

## Manistee Area Public Schools

### Notes to the Financial Statements

liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the Sept. 30, 2021, valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended Sept. 30, 2022:

| <u>Benefit Structure</u>       | <u>Member</u> | <u>Non-Universities</u> |
|--------------------------------|---------------|-------------------------|
| Premium subsidy                | 3.00%         | 8.09%                   |
| Personal healthcare fund (PHF) | 0.00%         | 7.23%                   |

Required contributions to the OPEB plan from the School were \$591,971 for the year ended Sept. 30, 2022.

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

At June 30, 2023, the School reported a liability of \$1,646,024 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of Sept. 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School'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 Sept. 30, 2022, the School's proportion was .07771 percent, which was decrease of .00178 percent from its proportion measured as of Oct. 1, 2021.

For the year ending June 30, 2023, the School recognized OPEB expense of negative \$(766,585). At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

## Manistee Area Public Schools

### Notes to the Financial Statements

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between actual and expected experience  | \$ -                                      | \$ 3,223,931                             |
| Changes of assumptions  | 1,467,154                                 | 119,464                                  |
| Net difference between projected and actual earnings on OPEB plan investments                                 | 128,650                                   | -  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 16,849                                    | 247,739                                  |
| Employer contributions subsequent to the measurement  | 479,259                                   |  |
| <b>Total</b>  | <b>\$ 2,091,912</b>                       | <b>\$ 3,591,134</b>                      |

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:

| <b>Plan Year Ended<br/>September 30</b> | <b>Amount:</b> |
|---|----------------|
| 2023                                    | \$ (713,167)   |
| 2024                                    | (596,569)      |
| 2025                                    | (548,800)      |
| 2026                                    | (67,663)       |
| 2027                                    | (48,687)       |
| Thereafter                              | (3,595)        |

#### ***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.

## Manistee Area Public Schools

### Notes to the Financial Statements

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Additional information as of the latest actuarial valuation follows:

#### Summary of Actuarial Assumptions

|                                 |   |
|---------------------------------|---|
| Valuation Date:                 | September 30, 2021  |
| Actuarial Cost Method:          | Entry Age, Normal   |
| Wage Inflation Rate:            | 2.75%   |
| Investment Rate of Return:      | 6.00%, 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<br>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 1 or more dependents.   |

#### Notes:

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2018 valuation. The total OPEB liability as of Sept. 30, 2022, is based on the results of an actuarial valuation date of Sept. 30, 2021, 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: 6.2250 for non-university employers.



## Manistee Area Public Schools

### Notes to the Financial Statements

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchools](https://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 buildingblock 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 Sept. 30, 2022, 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%                    | 5.1%   |
| Private equity pools                 | 16.0                     | 8.7  |
| International equity pools           | 15.0                     | 6.7  |
| Fixed income pools                   | 13.0                     | (0.2)  |
| Real estate and infrastructure pools | 10.0                     | 5.3  |
| Absolute return pools                | 9.0                      | 2.7  |
| Real return/opportunistic pools      | 10.0                     | 5.8  |
| Short-term investment pools          | 2.0                      | (0.5)  |
| <b>Total</b>                         | <b>100.0%</b>            |  |

\*Long-term rates of return are net of administrative expenses and 2.2% inflation.

#### *Rate of Return*

For the fiscal year ended Sept. 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99)%. 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 6.00% 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 6.00%. 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

**Manistee Area Public Schools**

Notes to the Financial Statements

to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the School’s proportionate share of the net OPEB liability to changes in the discount rate***

The following presents the School’s proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the employer’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 higher:

| <b>1% Decrease</b> | <b>Current Discount Rate</b> | <b>1% Increase</b> |
|--------------------|------------------------------|--------------------|
| <b>5.0%</b>        | <b>6.0%</b>                  | <b>7.0%</b>        |
| \$2,761,048        | \$1,646,024                  | \$707,037          |

***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:

| <b>1% Decrease</b> | <b>Current Healthcare Cost Trend Rate</b> | <b>1% Increase</b> |
|--------------------|---|--------------------|
| \$689,276          | \$1,646,024                               | \$2,719,993        |

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2022 MPSERS ACFR, available on the ORS website at [Michigan.gov/ORSSchools](http://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

## Manistee Area Public Schools

### 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:

|  | <b>General Fund</b> | <b>2021 Capital<br/>Project Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---------------------|--------------------------------------|---|---|
| <b>Nonspendable:</b>                                       |                     |                                      |   |   |
| Inventories  | \$ -                | \$ -                                 | \$ 30,030                               | \$ 30,030                               |
| Prepaid items  | 237,885             | -                                    | 1,298                                   | 239,183                                 |
| <i>Total nonspendable</i>                                  | 237,885             | -                                    | 31,328                                  | 269,213                                 |
| <b>Restricted for:</b>                                     |                     |                                      |   |   |
| Athletics  | -                   | -                                    | 108,092                                 | 108,092                                 |
| Aquatics   | -                   | -                                    | 31,937                                  | 31,937                                  |
| Food services  | -                   | -                                    | 469,598                                 | 469,598                                 |
| Debt service   | -                   | -                                    | 1,186,410                               | 1,186,410                               |
| Capital projects   | -                   | 28,966,996                           | -                                       | 28,966,996                              |
| <i>Total restricted</i>                                    | -                   | 28,966,996                           | 1,796,037                               | 30,763,033                              |
| <b>Committed for student activities</b>                    | -                   | -                                    | 196,855                                 | 196,855                                 |
| <b>Assigned for capital projects</b>                       | 122,996             | -                                    | 792,981                                 | 915,977                                 |
| <b>Unassigned</b>  | 5,999,103           | -                                    | -                                       | 5,999,103                               |
| <b><i>Total fund balances -<br/>governmental funds</i></b> | \$ 6,359,984        | \$ 28,966,996                        | \$ 2,817,201                            | \$ 38,144,181                           |

#### Note 13 - Subsequent Events and Commitments

As of October 31, 2023, the date these financial statements were available to be issued, 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, 2023**

|   | <b>Budgeted Amounts</b> |                     | <b>Actual</b>       | <b>Variance</b>                                    |
|---|-------------------------|---------------------|---------------------|--|
|   | <b>Original</b>         | <b>Final</b>        |                     | <b>Positive<br/>(Negative)<br/>Final to Actual</b> |
| <b>Revenues</b>   |                         |                     |                     |  |
| Local sources   | \$ 4,742,900            | \$ 4,815,900        | \$ 4,841,635        | \$ 25,735  |
| Non-educational entity sources  | 750,000                 | 698,500             | 698,471             | (29)   |
| State sources   | 9,058,400               | 11,037,700          | 11,060,928          | 23,228   |
| Federal sources   | 1,149,800               | 1,248,200           | 1,146,310           | (101,890)  |
| Interdistrict sources   | --                      | --                  | 1,326,701           | 1,326,701  |
| Other revenue   | --                      | --                  | 75,354              | 75,354   |
| <b>Total Revenues</b>   | <b>15,701,100</b>       | <b>17,800,300</b>   | <b>19,149,399</b>   | <b>1,349,099</b>                                   |
| <b>Other Financing Sources</b>  |                         |                     |                     |  |
| Transfers in  | 1,333,200               | 1,396,700           | --                  | (1,396,700)  |
| <b>Total Revenues and Other Financing Sources</b>   | <b>17,034,300</b>       | <b>19,197,000</b>   | <b>19,149,399</b>   | <b>(47,601)</b>                                    |
| <b>Expenditures</b>   |                         |                     |                     |  |
| <b>Instruction</b>  |                         |                     |                     |  |
| Elementary instruction  | 3,140,425               | 3,462,450           | 3,441,580           | 20,870   |
| Middle school instruction   | 1,773,675               | 1,837,400           | 1,808,087           | 29,313   |
| High school instruction   | 2,490,650               | 2,465,150           | 2,448,775           | 16,375   |
| Pre-kindergarten instruction  | 369,325                 | 332,500             | 304,695             | 27,805   |
| Summer enrichment program   | 16,900                  | 20,400              | 18,529              | 1,871  |
| Special education instruction   | 880,900                 | 943,000             | 917,209             | 25,791   |
| Compensatory instruction  | 277,875                 | 380,950             | 359,509             | 21,441   |
| Vocational instruction  | 110,000                 | 110,000             | 104,000             | 6,000  |
| <b>Total instruction</b>  | <b>9,059,750</b>        | <b>9,551,850</b>    | <b>9,402,384</b>    | <b>149,466</b>                                     |
| <b>Supporting services</b>  |                         |                     |                     |  |
| Guidance services   | 379,100                 | 404,950             | 393,808             | 11,142   |
| Psychological services  | 387,700                 | 495,000             | 383,256             | 111,744  |
| Other pupil services  | 563,300                 | 705,100             | 651,701             | 53,399   |
| Improvement of instruction  | 483,075                 | 423,200             | 374,480             | 48,720   |
| Library services  | 40,700                  | 40,100              | 32,981              | 7,119  |
| Board of education  | 183,000                 | 215,000             | 207,312             | 7,688  |
| Executive administration  | 360,600                 | 386,200             | 385,836             | 364  |
| Building administration   | 967,800                 | 1,052,700           | 1,031,389           | 21,311   |
| Fiscal services   | 430,100                 | 461,950             | 451,157             | 10,793   |
| Other business services   | 5,000                   | 5,000               | --                  | 5,000  |
| Operations and maintenance  | 1,922,350               | 2,202,400           | 2,082,385           | 120,015  |
| Transportation services   | 896,700                 | 745,000             | 696,772             | 48,228   |
| Technology services   | 478,000                 | 576,000             | 567,160             | 8,840  |
| Community services  | 6,200                   | 13,600              | 2,585               | 11,015   |
| Custody and care children   | 263,200                 | 153,500             | 152,238             | 1,262  |
| Non-public pupils   | 20,675                  | 46,000              | 12,443              | 33,557   |
| <b>Total supporting services</b>  | <b>7,387,500</b>        | <b>7,925,700</b>    | <b>7,425,503</b>    | <b>500,197</b>                                     |
| <b>Total Expenditures</b>   | <b>16,447,250</b>       | <b>17,477,550</b>   | <b>16,827,887</b>   | <b>649,663</b>                                     |
| <b>Other Financing Uses</b>   |                         |                     |                     |  |
| Transfers out   | 1,160,350               | 1,742,650           | 1,683,182           | 59,468   |
| <b>Total Expenditures and Other Financing Uses</b>  | <b>17,607,600</b>       | <b>19,220,200</b>   | <b>18,511,069</b>   | <b>709,131</b>                                     |
| <b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b> | <b>(573,300)</b>        | <b>(23,200)</b>     | <b>638,330</b>      | <b>661,530</b>                                     |
| <b>Net Change in Fund Balance</b>   | <b>(573,300)</b>        | <b>(23,200)</b>     | <b>638,330</b>      | <b>661,530</b>                                     |
| <i>Fund Balance at Beginning of Period</i>  | 5,721,654               | 5,721,654           | 5,721,654           | --   |
| <b>Fund Balance at End of Period</b>  | <b>\$ 5,148,354</b>     | <b>\$ 5,698,454</b> | <b>\$ 6,359,984</b> | <b>\$ 661,530</b>                                  |

**Manistee Area Public Schools**  
**Schedule of School District's Proportionate Share of Net Pension Liability**  
**Michigan Public School Employee Retirement Plan**  
**Last Nine Fiscal Years (Amounts were determined as of September 30 of each fiscal 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>   | <u>2014</u>   |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| School District's Portion of Net Pension Liability (%)  | 0.07787%      | 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  | \$ 29,288,952 | \$ 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   | \$ 7,618,006  | \$ 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 | 384.47%       | 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                                | 60.77%        | 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 Nine School District Fiscal Years (Amounts determined as of June 30 of each year)**

|   | <u>2023</u>      | <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                              | \$ 2,650,648     | \$ 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>2,650,648</u> | <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>      | <u>\$ -</u>      |
| School District's Covered Payroll                               | \$ 8,020,386     | \$ 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                | 33.05%           | 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 Six Fiscal Years (Amounts were determined as of September 30 of each fiscal year)**

|  | <u>2022</u>  | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| School District's Portion of Net OPEB Liability (%)  | 0.07771%     | 0.07949%     | 0.07984%     | 0.08164%     | 0.08122%     | 0.08613%     |
| School District's Proportionate Share of Net OPEB Liability  | \$ 1,646,024 | \$ 1,213,388 | \$ 4,277,090 | \$ 5,860,049 | \$ 6,455,807 | \$ 7,626,799 |
| School District's Covered Payroll  | \$ 7,618,006 | \$ 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 | 21.61%       | 16.82%       | 60.30%       | 81.93%       | 92.67%       | 107.09%      |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability                                | 83.09%       | 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 Six School District Fiscal Years (Amounts determined as of June 30 of each year)**

|   | <u>2023</u>    | <u>2022</u>    | <u>2021</u>    | <u>2020</u>    | <u>2019</u>    | <u>2018</u>    |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Statutorily Required Contributions                              | \$ 591,971     | \$ 590,124     | \$ 564,069     | \$ 560,560     | \$ 527,169     | \$ 670,521     |
| Contributions in Relation to Statutorily Required Contributions | <u>591,971</u> | <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>    | <u>\$ -</u>    |
| School District's Covered Payroll                               | \$ 8,020,386   | \$ 7,568,150   | \$ 7,095,952   | \$ 7,106,550   | \$ 7,165,818   | \$ 6,944,832   |
| Contributions as a Percentage of Covered Payroll                | 7.38%          | 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, 2023**

|   | Special Revenue   |                   |                   |                   | Debt Service              |                           |                        |                                     | Capital Projects  | Total Nonmajor<br>Governmental<br>Funds |
|---|-------------------|-------------------|-------------------|-------------------|---------------------------|---------------------------|------------------------|-------------------------------------|-------------------|---|
|   | Athletics         | Aquatics          | Food Service      | Student Activity  | 2012 QZAB Debt<br>Service | 2017 QZAB Debt<br>Service | 2020 Refunding<br>Bond | 2021 Capital<br>Improvement<br>Bond | Capital Projects  |   |
| <b>ASSETS</b>                             |                   |                   |                   |                   |                           |                           |                        |                                     |                   |   |
| Cash and investments                      | \$ 159,074        | \$ 123,469        | \$ 501,975        | \$ 196,855        | \$ 30                     | \$ 472,161                | \$ 299,989             | \$ 366,093                          | \$ --             | \$ 2,119,646                            |
| Receivables                               | --                | 29,323            | 30,748            | --                | --                        | --                        | 157                    | 191                                 | --                | 60,419                                  |
| Due from other governmental units         | --                | --                | 30,757            | --                | --                        | --                        | --                     | --                                  | --                | 30,757                                  |
| Inventories                               | --                | --                | 30,030            | --                | --                        | --                        | --                     | --                                  | --                | 30,030                                  |
| Prepaid items                             | 1,298             | --                | --                | --                | --                        | --                        | --                     | --                                  | --                | 1,298                                   |
| Due from other funds                      | --                | --                | --                | --                | --                        | --                        | 47,789                 | --                                  | 792,981           | 840,770                                 |
| <b>Total Assets</b>                       | <b>\$ 160,372</b> | <b>\$ 152,792</b> | <b>\$ 593,510</b> | <b>\$ 196,855</b> | <b>\$ 30</b>              | <b>\$ 472,161</b>         | <b>\$ 347,935</b>      | <b>\$ 366,284</b>                   | <b>\$ 792,981</b> | <b>\$ 3,082,920</b>                     |
| <b>LIABILITIES</b>                        |                   |                   |                   |                   |                           |                           |                        |                                     |                   |   |
| Accounts payable                          | \$ 4,115          | \$ 84,068         | \$ 15,864         | \$ --             | \$ --                     | \$ --                     | \$ --                  | \$ --                               | \$ --             | \$ 104,047                              |
| Accrued employee benefits                 | --                | --                | 302               | --                | --                        | --                        | --                     | --                                  | --                | 302                                     |
| Unearned revenue                          | --                | --                | 2,176             | --                | --                        | --                        | --                     | --                                  | --                | 2,176                                   |
| Due to other funds                        | 46,867            | 36,787            | 75,540            | --                | --                        | --                        | --                     | --                                  | --                | 159,194                                 |
| <b>Total Liabilities</b>                  | <b>50,982</b>     | <b>120,855</b>    | <b>93,882</b>     | <b>--</b>         | <b>--</b>                 | <b>--</b>                 | <b>--</b>              | <b>--</b>                           | <b>--</b>         | <b>265,719</b>                          |
| <b>FUND BALANCE</b>                       |                   |                   |                   |                   |                           |                           |                        |                                     |                   |   |
| Nonspendable                              | 1,298             | --                | 30,030            | --                | --                        | --                        | --                     | --                                  | --                | 31,328                                  |
| Restricted                                | 108,092           | 31,937            | 469,598           | --                | 30                        | 472,161                   | 347,935                | 366,284                             | --                | 1,796,037                               |
| Committed                                 | --                | --                | --                | 196,855           | --                        | --                        | --                     | --                                  | --                | 196,855                                 |
| Assigned                                  | --                | --                | --                | --                | --                        | --                        | --                     | --                                  | 792,981           | 792,981                                 |
| Unassigned                                | --                | --                | --                | --                | --                        | --                        | --                     | --                                  | --                | --                                      |
| <b>Total Fund Balance</b>                 | <b>109,390</b>    | <b>31,937</b>     | <b>499,628</b>    | <b>196,855</b>    | <b>30</b>                 | <b>472,161</b>            | <b>347,935</b>         | <b>366,284</b>                      | <b>792,981</b>    | <b>2,817,201</b>                        |
| <b>Total Liabilities and Fund Balance</b> | <b>\$ 160,372</b> | <b>\$ 152,792</b> | <b>\$ 593,510</b> | <b>\$ 196,855</b> | <b>\$ 30</b>              | <b>\$ 472,161</b>         | <b>\$ 347,935</b>      | <b>\$ 366,284</b>                   | <b>\$ 792,981</b> | <b>\$ 3,082,920</b>                     |

**Manistee Area Public Schools**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2023**

|   | Special Revenue   |                  |                   |                   | Debt Service              |                           |                        | Capital Projects                    | Total Nonmajor<br>Governmental<br>Funds |                     |
|---|-------------------|------------------|-------------------|-------------------|---------------------------|---------------------------|------------------------|-------------------------------------|---|---------------------|
|   | Athletics         | Aquatics         | Food Service      | Student Activity  | 2012 QZAB Debt<br>Service | 2017 QZAB Debt<br>Service | 2020 Refunding<br>Bond | 2021 Capital<br>Improvement<br>Bond |   | Capital Projects    |
| <b>Revenues</b>   |                   |                  |                   |                   |                           |                           |                        |                                     |   |                     |
| Local sources   | \$ 45,223         | \$ 264,360       | \$ 558,708        | \$ 134,387        | \$ 1                      | \$ --                     | \$ 1,006,728           | \$ 1,226,321                        | \$ --                                   | \$ 3,235,728        |
| Non-educational entity sources                          | --                | 53,704           | --                | --                | --                        | --                        | --                     | --                                  | --                                      | 53,704              |
| State sources   | --                | --               | 31,377            | --                | --                        | --                        | 38,644                 | 53,366                              | --                                      | 123,387             |
| Federal sources   | --                | --               | 727,265           | --                | 43,757                    | --                        | --                     | --                                  | --                                      | 771,022             |
| <b>Total Revenues</b>                                   | <b>45,223</b>     | <b>318,064</b>   | <b>1,317,350</b>  | <b>134,387</b>    | <b>43,758</b>             | <b>--</b>                 | <b>1,045,372</b>       | <b>1,279,687</b>                    | <b>--</b>                               | <b>4,183,841</b>    |
| <b>Expenditures</b>                                     |                   |                  |                   |                   |                           |                           |                        |                                     |   |                     |
| Supporting services                                     | --                | --               | --                | 148,056           | --                        | --                        | --                     | --                                  | --                                      | 148,056             |
| Community services                                      | --                | 544,519          | --                | --                | --                        | --                        | --                     | --                                  | --                                      | 544,519             |
| Food services   | --                | --               | 1,372,437         | --                | --                        | --                        | --                     | --                                  | --                                      | 1,372,437           |
| Athletics   | 446,552           | --               | --                | --                | --                        | --                        | --                     | --                                  | --                                      | 446,552             |
| Capital outlay  | --                | --               | --                | --                | --                        | --                        | --                     | --                                  | 418,785                                 | 418,785             |
| Debt service, principal                                 | --                | --               | --                | --                | 197,692                   | --                        | 965,000                | 700,000                             | --                                      | 1,862,692           |
| Debt service, interest                                  | --                | --               | --                | --                | 46,211                    | --                        | 135,400                | 630,638                             | --                                      | 812,249             |
| <b>Total Expenditures</b>                               | <b>446,552</b>    | <b>544,519</b>   | <b>1,372,437</b>  | <b>148,056</b>    | <b>243,903</b>            | <b>--</b>                 | <b>1,100,400</b>       | <b>1,330,638</b>                    | <b>418,785</b>                          | <b>5,605,290</b>    |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b> | <b>(401,329)</b>  | <b>(226,455)</b> | <b>(55,087)</b>   | <b>(13,669)</b>   | <b>(200,145)</b>          | <b>--</b>                 | <b>(55,028)</b>        | <b>(50,951)</b>                     | <b>(418,785)</b>                        | <b>(1,421,449)</b>  |
| <b>Other Financing Sources (Uses)</b>                   |                   |                  |                   |                   |                           |                           |                        |                                     |   |                     |
| Transfers in  | 411,000           | 150,000          | --                | --                | 200,146                   | 94,428                    | 34,924                 | 42,684                              | 750,000                                 | 1,683,182           |
| Transfers out   | --                | --               | --                | --                | --                        | --                        | --                     | --                                  | --                                      | --                  |
| <b>Net Other Financing Sources (Uses)</b>               | <b>411,000</b>    | <b>150,000</b>   | <b>--</b>         | <b>--</b>         | <b>200,146</b>            | <b>94,428</b>             | <b>34,924</b>          | <b>42,684</b>                       | <b>750,000</b>                          | <b>1,683,182</b>    |
| <b>Net Change in Fund Balance</b>                       | <b>9,671</b>      | <b>(76,455)</b>  | <b>(55,087)</b>   | <b>(13,669)</b>   | <b>1</b>                  | <b>94,428</b>             | <b>(20,104)</b>        | <b>(8,267)</b>                      | <b>331,215</b>                          | <b>261,733</b>      |
| <i>Fund Balance at Beginning of Period</i>              | 99,719            | 108,392          | 554,715           | 210,524           | 29                        | 377,733                   | 368,039                | 374,551                             | 461,766                                 | 2,555,468           |
| <b>Fund Balance at End of Period</b>                    | <b>\$ 109,390</b> | <b>\$ 31,937</b> | <b>\$ 499,628</b> | <b>\$ 196,855</b> | <b>\$ 30</b>              | <b>\$ 472,161</b>         | <b>\$ 347,935</b>      | <b>\$ 366,284</b>                   | <b>\$ 792,981</b>                       | <b>\$ 2,817,201</b> |



**MANISTEE AREA PUBLIC SCHOOLS  
MANISTEE COUNTY, MICHIGAN  
SINGLE AUDIT ACT COMPLIANCE  
YEAR ENDED JUNE 30, 2023**

**Manistee Area Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

| <i>Federal Grantor / Pass-through Grantor / Program / Project Number</i> | <i>Assistance Listing Number</i> | <i>Program or Award Amount</i> | <i>Accrued Revenue at July 1, 2022</i> | <i>Current Year Receipts</i> | <i>Current Year Expenditures</i> | <i>Accrued Revenue at June 30, 2023</i> |
|--|----------------------------------|--------------------------------|--|------------------------------|----------------------------------|---|
| <b>U.S. Department of Agriculture:</b>                                   |                                  |                                |  |                              |                                  |   |
| <i>Passed Through Michigan Department of Education:</i>                  |                                  |                                |  |                              |                                  |   |
| Child Nutrition Cluster:   |                                  |                                |  |                              |                                  |   |
| 221960 National School Lunch Program-SSO Lunch                           | 10.555                           | \$ 47,142                      | \$ -                                   | \$ 47,142                    | \$ 47,142                        | \$ -                                    |
| 231960 National School Lunch Program-SSO Lunch                           | 10.555                           | 343,710                        | -                                      | 343,710                      | 343,710                          | -                                       |
| 221980 National School Lunch Program - Snacks                            | 10.555                           | 538                            | -                                      | 538                          | 538                              | -                                       |
| 231980 National School Lunch Program - Snacks                            | 10.555                           | 4,503                          | -                                      | 4,503                        | 4,503                            | -                                       |
| 221970 National School Breakfast Program                                 | 10.553                           | 18,125                         | -                                      | 18,125                       | 18,125                           | -                                       |
| 221971 National School Breakfast Program (SSO)                           | 10.553                           | 136,203                        | -                                      | 136,203                      | 136,203                          | -                                       |
| 220900 SFSP Operating  | 10.559                           | 56,076                         | 4,081                                  | 56,076                       | 51,995                           | -                                       |
| 230900 SFSP Operating  | 10.559                           | 25,336                         | -                                      | -                            | 25,336                           | 25,336                                  |
| 220910 Food Service Supply Chain Grant                                   | 10.555                           | 28,125                         | -                                      | 28,125                       | 28,125                           | -                                       |
| 230910 Food Service Supply Chain Grant                                   | 10.555                           | 16,650                         | -                                      | 16,650                       | 16,650                           | -                                       |
| Entitlement Commodities - 2023   | 10.555                           | 51,203                         | -                                      | 51,203                       | 51,203                           | -                                       |
| <b>Total Child Nutrition Cluster</b>                                     |                                  | <b>727,611</b>                 | <b>4,081</b>                           | <b>702,275</b>               | <b>723,530</b>                   | <b>25,336</b>                           |
| 221920 CACFP Meals   | 10.558                           | 288                            | -                                      | 288                          | 288                              | -                                       |
| 231920 CACFP Meals   | 10.558                           | 2,568                          | -                                      | 2,568                        | 2,584                            | 16                                      |
| 222010 CACFP Meals   | 10.558                           | 8                              | -                                      | 8                            | 8                                | -                                       |
| 232010 CACFP Meals   | 10.558                           | 226                            | -                                      | 226                          | 226                              | -                                       |
| COVID-19 210980 Pandemic EBT Local Level Costs                           | 10.649                           | 628                            | -                                      | 628                          | 628                              | -                                       |
| <b>Total U.S. Department of Agriculture</b>                              |                                  | <b>731,329</b>                 | <b>4,081</b>                           | <b>705,993</b>               | <b>727,264</b>                   | <b>25,352</b>                           |
| <b>U.S. Department of Education:</b>                                     |                                  |                                |  |                              |                                  |   |
| Title I, Part A - Educationally Deprived                                 |                                  |                                |  |                              |                                  |   |
| 221530 2122  | 84.010                           | 314,482                        | 45,392                                 | 49,730                       | 4,338                            | -                                       |
| 231530 2223  | 84.010                           | 301,628                        | -                                      | 183,966                      | 254,688                          | 70,722                                  |
| <b>Total Title I, Part A</b>   |                                  | <b>616,110</b>                 | <b>45,392</b>                          | <b>233,696</b>               | <b>259,026</b>                   | <b>70,722</b>                           |
| Title II, Part A - Improving Teacher Quality State Grants                |                                  |                                |  |                              |                                  |   |
| 220520 2122  | 84.367                           | 89,244                         | 10,202                                 | 22,405                       | 12,203                           | -                                       |
| 230520 2223  | 84.367                           | 89,229                         | -                                      | 22,368                       | 35,569                           | 13,201                                  |
| <b>Total Title II, Part A</b>  |                                  | <b>\$ 178,473</b>              | <b>\$ 10,202</b>                       | <b>\$ 44,773</b>             | <b>\$ 47,772</b>                 | <b>\$ 13,201</b>                        |

See Notes to the Schedule of Expenditures of Federal Awards

**Manistee Area Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

| <i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>             | <i>Assistance Listing Number</i> | <i>Program or Award Amount</i> | <i>Accrued Revenue at July 1, 2022</i> | <i>Current Year Receipts</i> | <i>Current Year Expenditures</i> | <i>Accrued Revenue at June 30, 2023</i> |
|--|----------------------------------|--------------------------------|--|------------------------------|----------------------------------|---|
| Title IV, Part A - Student Support and Academic Enrichment                           |                                  |                                |  |                              |                                  |   |
| 220750 2122  | 84.424                           | \$ 29,908                      | \$ 802                                 | \$ 1,205                     | \$ 403                           | \$ -                                    |
| 230750 2223  | 84.424                           | 39,044                         | -                                      | 13,024                       | 13,810                           | 786                                     |
| Total Title IV, Part A   |                                  | 68,952                         | 802                                    | 14,229                       | 14,213                           | 786                                     |
| GEER / ESSER   |                                  |                                |  |                              |                                  |   |
| COVID-19 201201 2122 - GEER Funds K - 12   | 84.425C                          | 1,903                          | 1,136                                  | 1,136                        | -                                | -                                       |
| COVID-19 203711 1920 - ESSER I Formula   | 84.425D                          | 4,027                          | 3,953                                  | 3,953                        | -                                | -                                       |
| COVID-19 213712 2021 - ESSER II Formula  | 84.425D                          | 1,011,391                      | 156,989                                | 168,311                      | 11,322                           | -                                       |
| COVID-19 213722 2122 - ESSER II Formula  | 84.425D                          | 77,372                         | 4,320                                  | 7,935                        | 3,615                            | -                                       |
| COVID-19 213742 2122 - ESSER II Credit Recovery                                      | 84.425D                          | 18,081                         | 3,898                                  | 4,773                        | 875                              | -                                       |
| COVID-19 231782 2223 - ESSER II 98C Learning Loss                                    | 84.425D                          | 64,055                         | -                                      | 64,055                       | 64,055                           | -                                       |
| COVID-19 213713 2122 - ARP/ESSER III Formula   | 84.425U                          | 2,273,057                      | 659,871                                | 1,115,565                    | 626,998                          | 171,304                                 |
| Total ESSER  |                                  | 3,449,886                      | 830,167                                | 1,365,728                    | 706,865                          | 171,304                                 |
| <b>Total Passed Through Michigan Department of Education</b>                         |                                  | 5,044,750                      | 890,644                                | 2,364,419                    | 1,755,140                        | 281,365                                 |
| <b>Total U.S. Department of Education (Passed through Michigan Department of Ed)</b> |                                  | 4,313,421                      | 886,563                                | 1,658,426                    | 1,027,876                        | 256,013                                 |
| <i>Passed Through Manistee Intermediate School District:</i>                         |                                  |                                |  |                              |                                  |   |
| Basic Grants to State (Perkins)  | 84.038                           | 14,287                         | -                                      | 14,287                       | 14,287                           | -                                       |
| <b>Total Passed Through Manistee Intermediate School District</b>                    |                                  | 14,287                         | -                                      | 14,287                       | 14,287                           | -                                       |
| <b>Total U.S. Department of Education</b>  |                                  | 4,327,708                      | 886,563                                | 1,672,713                    | 1,042,163                        | 256,013                                 |
| <b>U.S. Department of the Interior:</b>  |                                  |                                |  |                              |                                  |   |
| <i>Passed Through Manistee Intermediate School District:</i>                         |                                  |                                |  |                              |                                  |   |
| Payment in Lieu of Taxes - National Forest   | 15.226                           | 8,027                          | -                                      | 8,027                        | 8,027                            | -                                       |
| <b>Total U.S. Department of the Interior</b>   |                                  | 8,027                          | -                                      | 8,027                        | 8,027                            | -                                       |
| <b>U.S. Department of Health and Human Services:</b>                                 |                                  |                                |  |                              |                                  |   |
| <i>Passed Through Manistee Intermediate School District:</i>                         |                                  |                                |  |                              |                                  |   |
| Medicaid Outreach (Medicaid Cluster)   | 93.778                           | 11,434                         | -                                      | 11,434                       | 11,434                           | -                                       |
| <b>Total U.S. Department of Health and Human Services</b>                            |                                  | 11,434                         | -                                      | 11,434                       | 11,434                           | -                                       |
| <b>Total Federal Financial Assistance</b>  |                                  | \$ 5,078,498                   | \$ 890,644                             | \$ 2,398,167                 | \$ 1,788,888                     | \$ 281,365                              |

See Notes to the Schedule of Expenditures of Federal Awards

## Manistee Area Public Schools

### Notes to the Schedule of Expenditures of Federal Awards

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#### **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, 2023. 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, 2023 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

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**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:

|   |                     |
|---|---------------------|
| <b>Federal revenue reported in the financial statements</b>         |                     |
| Governmental funds  | \$ 1,917,332        |
| <b>Subtract</b>   |                     |
| Federal subsidy excluded from SEFA presentation (QZAB bond subsidy) | (43,757)            |
| Federal assistance received as a beneficiary                        | (84,687)            |
| <b><i>Total expenditures of federal awards</i></b>                  | <u>\$ 1,788,888</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, 2023, 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 31, 2023.

***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 31, 2023

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, 2023. 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, 2023.

***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 printed name of the firm.

Gabridge & Company, PLC  
Grand Rapids, MI  
October 31, 2023

**Manistee Area Public Schools  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023**

**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<br>Program or Cluster  | Assistance<br>Listing Number |
|--|------------------------------|
| Education Stabilization Fund Under the Coronavirus Aid,<br>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**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS**

No prior audit findings were reported.

October 31, 2023

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, 2023. 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 July 31, 2023. 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, 2023. 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 31, 2023.

### ***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 31, 2023.

### **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".

Gabridge & Company, PLC  
Grand Rapids, MI