

**KINGSLEY AREA SCHOOLS**

**KINGSLEY, MICHIGAN**

**JUNE 30, 2021**



**Baird, Cotter & Bishop, P.C.**  
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS  
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KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2021

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# Baird, Cotter & Bishop, P.C.

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www.bcbcpa.com

August 19, 2021

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Kingsley Area Schools  
Kingsley, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kingsley Area Schools, Kingsley, Michigan as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

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 Kingsley Area Schools, Kingsley, Michigan as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iii through xi and 41-46 be presented to supplement the basic financial statements. Such information, 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kingsley Area Schools' basic financial statements. The Combining Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Fund Financial Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Fund Financial Statements 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 August 19, 2021, on our consideration of Kingsley Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kingsley Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kingsley Area Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

This section of Kingsley Area Schools’ (“the District”) annual report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2021. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**A. Government-Wide Financial Statements**

The government-wide statements provide short-term and long-term financial information about the District’s overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District’s assets and liabilities. All of the year’s revenue 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 District’s net position and how they have changed. Net position, the difference between the District’s assets and liabilities, is one way to measure the District’s financial health or position.

Over time, increases and decreases in the District’s net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities, including regular and special education, transportation, administration, food services, and athletic activities, are primarily financed with state and federal aids and property taxes.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called “non-major” funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

**Governmental Funds** – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be 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 to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

**Fiduciary Funds** – The District is a trustee, or fiduciary, for assets that belong to other organizations. The 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 District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

The District maintains one type of fiduciary funds. The Private Purpose Trust Fund is used to account for resources legally held in trust to provide scholarships to post-secondary education students.

**Proprietary Funds** – The District operates a proprietary fund that is composed of an internal service fund. This fund accounts for services provided to the District's other funds. The District's self-funded medical plan is accounted for in this fund.

### **C. Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-40 of this report.

### **D. Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.



KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

**E. Summary of Net Position**

The following schedule summarizes the net position at June 30:

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current Assets	\$ 8,461,076	\$ 7,814,305
Non Current Assets		
Capital Assets	20,976,368	20,313,653
Less Accumulated Depreciation	<u>(11,036,944)</u>	<u>(10,490,839)</u>
Total Non Current Assets	<u>9,939,424</u>	<u>9,822,814</u>
Total Assets	<u>18,400,500</u>	<u>17,637,119</u>
<b>Deferred Outflows of Resources</b>	<u>9,631,947</u>	<u>10,251,228</u>
<b>Liabilities</b>		
Current Liabilities	1,795,463	1,654,394
Non Current Liabilities	<u>30,989,045</u>	<u>30,318,355</u>
Total Liabilities	<u>32,784,508</u>	<u>31,972,749</u>
<b>Deferred Inflows of Resources</b>	<u>4,243,249</u>	<u>3,830,373</u>
<b>Net Position</b>		
Investment in Capital Assets	9,939,424	9,822,814
Restricted for Specific Purposes	485,646	408,597
Unrestricted (Deficit)	<u>(19,420,380)</u>	<u>(18,146,186)</u>
Total Net Position	<u>\$ (8,995,310)</u>	<u>\$ (7,914,775)</u>

**F. Analysis of Financial Position**

During the fiscal year ended June 30, 2021, the District's net position decreased by \$1,080,535. A few of the more significant factors affecting net position during the year are discussed below:

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2021, \$679,377 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the year ended June 30, 2021, \$795,987 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, disposal of capital assets and the current year's depreciation is an increase in capital assets in the amount of \$116,610 for the year ended June 30, 2021.

**3. Pension and Other Postemployment Benefits Expense**

GASB 68 and 75 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability and net other postemployment benefits liability increases or decreases in any given year.

**G. Results of Operations**

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30:

	<u>2021</u>	<u>2020</u>
<b>General Revenues</b>		
Property Taxes	\$ 1,128,779	\$ 1,085,088
Investment Earnings	2,565	35,216
State Sources	11,161,730	10,913,668
Other	28,680	49,362
	<hr/>	<hr/>
Total General Revenues	12,321,754	12,083,334
	<hr/>	<hr/>
<b>Program Revenues</b>		
Charges for Services	262,192	534,121
Operating Grants	4,923,044	4,259,180
Capital Grants	290,003	0
	<hr/>	<hr/>
Total Program Revenues	5,475,239	4,793,301
	<hr/>	<hr/>
Total Revenues	17,796,993	16,876,635
	<hr/>	<hr/>

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

	2021	2020
<b>Expenses</b>		
Instruction	12,408,768	11,434,028
Supporting Services	5,503,445	5,464,700
Food Service Activities	895,231	1,200,270
Facilities Acquisition	49,882	12,635
Community Services	6,790	123,651
Other Transactions	13,412	10,736
	18,877,528	18,246,020
Total Expenses		
	\$ (1,080,535)	\$ (1,369,385)

**H. Financial Analysis of the District's Funds**

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2021	2020	Increase (Decrease)
<b>Major Funds</b>			
General Fund	\$ 5,487,622	\$ 5,306,072	\$ 181,550
<b>Nonmajor Funds</b>			
Food Service Fund	508,737	384,391	124,346
School Activity Fund	284,314	294,714	(10,400)
Public Improvement Fund	279,486	11,544	267,942
2010 Debt Retirement Fund	0	46,882	(46,882)
	\$ 6,560,159	\$ 6,043,603	\$ 516,556
Total Governmental Funds			

In 2021, the General Fund increased its fund balance as a result of receiving Medicaid payouts, ESSER II and Equity Grant funds.

The Food Service Fund increased its fund balance with Chartwells managing the food service program. The federal revenue increased due to the federal funding that allowed for all kids to eat for free this year.

The School Activity Fund decreased its fund balance due to school activities resuming for the year for field trips, athletics, and woodshop.

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

The 2010 Debt Retirement Fund decreased as a result of closing out the debt fund as all debt has been paid off.

The Public Improvement Fund increased its fund balance due to a transfer in from the General Fund in excess of the cost of the completion of the high school chiller replacement project and middle school parking lot replacement.

**I. Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levies 18 mills of property taxes for operations on non-principal residence exemption properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year’s Consumer’s Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property’s market value.

For the 2020-2021 fiscal year, the District levied \$1,130,436 in non-principal residence exemption property taxes.

The following table summarizes the non-principal residence exemption property tax levies for operations for the past five years:

Fiscal Year	Non-Homestead Tax Levy
2020-2021	\$ 1,130,436
2019-2020	1,085,088
2018-2019	1,081,880
2017-2018	1,029,407
2016-2017	1,017,418

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on student enrollment. For the 2020-21 school year only, a new “super blend” will be used to determine membership. The 90/10 blend for 2019-20 multiplied by 75% will be added to the 90/10 blend for 2020-21 multiplied by 25% to determine the super blend used for 2020-21 membership. For the 2020-2021 fiscal year, the District received \$8,111 per student FTE.

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

**3. Student Enrollment**

The following schedule summarizes the blended student enrollment for the past five years:

Fiscal Year	Blended Student FTE
2020-2021	1,539
2019-2020	1,549
2018-2019	1,553
2017-2018	1,531
2016-2017	1,462

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the year ended June 30, 2021, federal, state, and other grants accounted for \$4,923,044. This represents an increase of \$663,864 from the total grant sources received compared to the 2019-2020 fiscal year.

**J. General Fund Budgetary Highlights**

The Uniform Accounting and Budgeting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2020-2021 fiscal year, the District amended the General Fund at various time throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>	\$ 14,688,361	\$ 16,796,137	\$ 16,790,136
<u>EXPENDITURES</u>			
Instruction	\$ 10,715,119	\$ 11,121,713	\$ 11,051,724
Supporting Services	4,792,821	5,025,936	5,018,977
Community Services	105,342	80,857	74,340
Other Transactions	4,500	13,412	13,412
Total Expenditures	\$ 15,617,782	\$ 16,241,918	\$ 16,158,453

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

The original revenue budget of \$14,688,361 was increased to \$16,796,137 as a result of increased revenue from federal and state sources. The original expenditure budget of \$15,617,782 was increased to \$16,241,918. Basic instruction and added needs were increased due to increased costs for online instruction and support. Instructional Staff Support increased for new software. Plant and Operations increased for PPE supplies. Pupil Transportation decreased due to few extra trips and lower supply budgets. Central Support increased for the purchase of student devices. Variances between final budgeted revenue and expenditures to actual revenue and expenditures are considered minimal.

**K. Capital Asset and Debt Administration**

***1. Capital Assets***

By the end of the 2020-2021 fiscal year, the District had invested \$20,976,368 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$679,377 bringing the accumulation to \$11,036,944 as of June 30, 2021.

Major additions to capital assets included:

- Lockers in the amount of \$23,292.
- Food service equipment purchased in the amount of \$65,000.
- Various technology purchased in the amount of \$290,270.
- Land improvements purchased in the amount of \$89,710.
- Two school buses purchased for a total cost of \$172,990.
- Building improvements purchased in the amount of \$103,642.
- Miscellaneous equipment purchased in the amount of \$51,083.

As of June 30, 2021, the District committed to purchasing a new food service van in the amount of \$33,521 as well as finishing the middle school parking lot for \$68,255, of which, \$30,715 was expensed in the 2020-2021 fiscal year. The District also committed to spend up to an additional \$30,700 on the food service line and up to \$34,680 on the bus garage parking lot lighting project.

***2. Long-Term Debt***

At June 30, 2021, the District had no bonded debt outstanding. The District had an outstanding net pension and net other postemployment benefits liability of \$30,672,102 and compensated absences of \$316,943 at year-end.

**L. Factors Bearing on the District's Future**

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

- The current budget is built with a retirement rate estimated at 43.28%. We are concerned about how the future retirement rates will be calculated with changes in legislation.

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

- The per pupil Foundation Allowance continues to be a major source of revenue for the General Fund, therefore enrollment shifts could drastically effect funding.
- The District is anticipating increased expenditures in future years for the replacement of devices purchased to support a one to one device program.
- The District will began preparing plans to account for substantial revenue reductions once all of the ESSER Federal funding and COVID Relief Funding has been eliminated.
- The support staff union contract and the teacher union contracts will expire at the end of the 2021/22 school year.

**M. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Superintendent, Kingsley Area Schools, 402 Fenton Street, Kingsley, Michigan 49649.

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KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 2,326,241
Investments	3,276,442
Accounts Receivable	4,971
Due from Other Governments	2,759,094
Due from External Parties (Fiduciary Fund)	1,906
Inventories	92,422
	<hr/>
Total Current Assets	8,461,076
	<hr/>
<u>NONCURRENT ASSETS</u>	
Capital Assets	20,976,368
Less Accumulated Depreciation	(11,036,944)
	<hr/>
Total Non Current Assets	9,939,424
	<hr/>
TOTAL ASSETS	18,400,500
	<hr/>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows Related to Pensions	7,074,417
Deferred Outflows Related to Other Postemployment Benefits	2,557,530
	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,631,947
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The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	344,090
Salaries Payable	1,400,378
Unearned Revenue	50,995
	<hr/>
Total Current Liabilities	1,795,463
	<hr/>
<u>NONCURRENT LIABILITIES</u>	
Net Pension Liability	26,459,073
Net Other Postemployment Benefits Liability	4,213,029
Compensated Absences	316,943
	<hr/>
Total Non Current Liabilities	30,989,045
	<hr/>
TOTAL LIABILITIES	32,784,508
	<hr/>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows Related to Pensions	1,098,861
Deferred Inflows Related to Other Postemployment Benefits	3,144,388
	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	4,243,249
	<hr/>
<u>NET POSITION</u>	
Investment in Capital Assets	9,939,424
Restricted for Food Service	485,646
Unrestricted - (Deficit)	(19,420,380)
	<hr/>
TOTAL NET POSITION - (Deficit)	\$ (8,995,310)
	<hr/> <hr/>

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

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	ACTIVITIES
					NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 12,408,768	\$ 112,242	\$ 2,899,211	\$ 0	\$ (9,397,315)
Supporting Services	5,503,445	34,314	1,008,737	290,003	(4,170,391)
Food Service Activities	895,231	72,565	998,672	0	176,006
Facilities Acquisition	49,882	0	0	0	(49,882)
Community Services	6,790	43,071	16,424	0	52,705
Other Transactions	13,412	0	0	0	(13,412)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 18,877,528</b>	<b>\$ 262,192</b>	<b>\$ 4,923,044</b>	<b>\$ 290,003</b>	<b>(13,402,289)</b>
<u>GENERAL REVENUES</u>					
Property Taxes - General Purposes					1,128,779
Investment Earnings					2,565
State Sources					11,161,730
Other					28,680
<b>Total General Revenues</b>					<b>12,321,754</b>
Change in Net Position					(1,080,535)
<u>NET POSITION</u> - Beginning of Year - (Deficit)					(7,914,775)
<u>NET POSITION</u> - End of Year - (Deficit)					<b>\$ (8,995,310)</b>

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

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2021

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Cash	\$ 1,242,127	\$ 1,084,114	\$ 2,326,241
Investments	3,276,442	0	3,276,442
Accounts Receivable	4,971	0	4,971
Due from Other Funds	4,913	5,659	10,572
Due from Other Governments	2,707,278	51,816	2,759,094
Inventory	69,331	23,091	92,422
TOTAL ASSETS	\$ 7,305,062	\$ 1,164,680	\$ 8,469,742
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 50,380	\$ 75,535	\$ 125,915
Salaries Payable	1,400,378	0	1,400,378
Due to Other Funds	329,288	3,007	332,295
Unearned Revenue	37,394	13,601	50,995
Total Liabilities	1,817,440	92,143	1,909,583
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	69,331	23,091	92,422
Restricted for:			
Food Service	0	485,646	485,646
Committed for:			
School Activities	0	284,314	284,314
Public Improvements	0	279,486	279,486
Assigned for:			
Budgeted Use of Fund Balance in 21/22	819,176	0	819,176
Unassigned	4,599,115	0	4,599,115
Total Fund Balances	5,487,622	1,072,537	6,560,159
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,305,062	\$ 1,164,680	\$ 8,469,742

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

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION

JUNE 30, 2021

Total Governmental Fund Balances	\$	6,560,159
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$	20,976,368
Accumulated depreciation is		<u>(11,036,944)</u>
		9,939,424
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Compensated Absences		(316,943)
Net Pension Liability		(26,459,073)
Net Other Postemployment Benefits Liability		(4,213,029)
An Internal Service Fund is used by the District to charge the cost of compensated absences to the individual funds. The assets and liabilities of the fund are included with the governmental activities.		
		105,454
Deferred outflows and (inflows) of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources - related to pensions		7,074,417
Deferred inflows of resources - related to pensions		(1,098,861)
Deferred outflows of resources - related to other postemployment benefits		2,557,530
Deferred inflows of resources - related to other postemployment benefits		<u>(3,144,388)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(8,995,310)</u></u>

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

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

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

YEAR ENDED JUNE 30, 2021

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 1,338,103	\$ 207,101	\$ 1,545,204
State Sources	14,049,351	60,974	14,110,325
Federal Sources	1,092,272	937,698	2,029,970
Other Transactions	310,410	0	310,410
	<hr/>		
Total Revenues	16,790,136	1,205,773	17,995,909
<hr/>			
<u>EXPENDITURES</u>			
Instruction	11,051,724	0	11,051,724
Supporting Services	4,635,978	191,151	4,827,129
Athletic Activities	382,999	0	382,999
Food Service Activities	0	943,904	943,904
Facilities Acquisition	0	185,845	185,845
Community Services	74,340	0	74,340
Other Transactions	13,412	0	13,412
	<hr/>		
Total Expenditures	16,158,453	1,320,900	17,479,353
<hr/>			
Excess (Deficiency) of Revenues Over Expenditures	631,683	(115,127)	516,556
<hr/>			
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	49,867	500,000	549,867
Transfers Out	(500,000)	(49,867)	(549,867)
	<hr/>		
Total Other Financing Sources (Uses)	(450,133)	450,133	0
<hr/>			
Net Change In Fund Balances	181,550	335,006	516,556
<hr/>			
<u>FUND BALANCE</u> - Beginning of Year	5,306,072	737,531	6,043,603
<hr/>			
<u>FUND BALANCE</u> - End of Year	\$ 5,487,622	\$ 1,072,537	\$ 6,560,159
<hr/>			

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

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances Total Governmental Funds	\$	516,556
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Amounts reported for governmental activities are different because:

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

Depreciation Expense	(679,377)
Capital Outlay	795,987

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in Pension Related Items	(2,045,241)
Change in Other Postemployment Benefit Related Items	553,906

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement date.

Change in State Aid Funding for Pension Benefits	(198,916)
--	-----------

An Internal Service Fund is used by the District to charge the cost of health insurance to the individual funds. The net revenue of this fund is reported with the governmental activities.

(10,854)
----------

Employees Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	304,347
Compensated Absences - End of Year	<u>(316,943)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(1,080,535)</u></u>
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The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

STATEMENT OF NET POSITION  
INTERNAL SERVICE FUND

JUNE 30, 2021

	<u>INTERNAL SERVICE FUND</u>
<u>ASSETS</u>	
Due from General Fund	\$          323,629
<u>LIABILITIES</u>	
Accounts Payable	<u>                  218,175</u>
<u>NET POSITION</u>	
Unrestricted	<u><u>                  \$      105,454</u></u>

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



KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUND

YEAR ENDED JUNE 30, 2021

	<u>INTERNAL SERVICE FUND</u>
<u>OPERATING REVENUES</u>	
Charges to Other Funds	\$ 1,231,506
<u>OPERATING EXPENSES</u>	
Supporting Services	
Business	<u>1,242,360</u>
Change in Net Position	(10,854)
<u>NET POSITION - Beginning of Year</u>	<u>116,308</u>
<u>NET POSITION - End of Year</u>	<u><u>\$ 105,454</u></u>

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

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND

YEAR ENDED JUNE 30, 2021

	<u>INTERNAL SERVICE FUND</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Charges to Other Funds for Benefits	\$ 1,172,774
Payments for Benefits Expense	<u>(1,172,774)</u>
Net Cash Provided by (Used for) Operating Activities	0
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>0</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 0</u></u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	<u>\$ (10,854)</u>
Adjustments to Reconcile Operating Income (Loss)	
(Increase) Decrease in Current Assets	
Accounts Receivable	187,620
Due from Other Funds	(246,352)
Increase (Decrease) in Current Liabilities	
Accounts Payable	<u>69,586</u>
Total Adjustments	<u>10,854</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 0</u></u>

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

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND

JUNE 30, 2021

	<u>PRIVATE-PURPOSE TRUST FUND</u>
<u>ASSETS</u>	
Cash	\$ 56,878
Investments	214,154
	<hr/>
TOTAL ASSETS	271,032
 <u>LIABILITIES</u>	
Due to Other Funds	1,906
	<hr/>
 <u>NET POSITION</u>	
Restricted for Scholarships	<u>\$ 269,126</u>

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

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND

YEAR ENDED JUNE 30, 2021

	<u>PRIVATE-PURPOSE TRUST FUND</u>
<u>ADDITIONS</u>	
Earnings on Investments	\$ 123
Private Contributions	<u>224,154</u>
Total Additions	224,277
<u>DEDUCTIONS</u>	
Scholarships Awarded	<u>13,500</u>
Change in Net Position	210,777
<u>NET POSITION</u> - Beginning of Year	<u>58,349</u>
<u>NET POSITION</u> - End of Year	<u><u>\$ 269,126</u></u>

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

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The School District ("the District") is located in Grand Traverse and Wexford Counties with its administrative offices located in Kingsley, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,539 students in elementary, middle school, high school, special education instruction, transportation, food service and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

**B. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Additionally, the District reports the following fund type:

The *internal service fund* accounts for operations that provide services to other departments or agencies of the District.

Other non-major funds:

The *special revenue (School Service) funds* account for revenue sources that are legally restricted and committed to expenditures for specific purposes. The District accounts for its food service and school activities in a special revenue fund.

The *capital projects fund (public improvement fund)* is used to account for financial resources to be used for major improvement projects and is primarily funded from transfers in from the general fund.

The *debt retirement fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Additionally, the District reports the following fiduciary fund:

The *private purpose trust fund* is used to account for resources legally held in trust to provide scholarships to post-secondary education students. Contributions are held as permanent endowments and the earnings from those endowments can be used to provide the scholarships.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 provider have been met.

The 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. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term obligations and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 24, 2020, or as amended by the School Board of Education throughout the year.

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***1. Cash and Cash Equivalents***

The 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.



KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**2. *Investments***

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the District to invest as follows:

- a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- e) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The District's deposits and investments are held separately by several of the District's funds.

**3. *Inventory and Prepaid Items***

Inventory is valued at cost using the first in/first out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made 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.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balances that are nonspendable.

**4. *Capital Assets***

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated acquisition value on the date received.

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

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Land Improvements	10 – 20 Years
Buildings and Additions	25 - 50 Years
Machinery and Other Equipment	5 – 20 Years
Transportation Equipment	5 – 10 Years

The District’s capitalization policy is to capitalize individual amounts exceeding \$5,000.

**5. *Deferred Outflows/Inflows 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 District has two items that qualify for reporting in this category. They are pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnote 2.E and 2.F.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The 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 District has two item that qualifies 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. Details can be found in footnote 2.E and 2.F.

**6. *Defined Benefit Plans***

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension and other postemployment benefits, and pension and other postemployment benefits 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.

**7. *Unearned Revenue***

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenues is recognized. The District has unearned

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

revenue in the Food Service Fund that is related to money received from students for meals in advance.

**8. *Net Position Flow Assumption***

Sometimes the 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**9. *Fund Balance Flow Assumption***

Sometimes the 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 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.

**10. *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. The 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 District’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board may also 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.

KINGSLEY AREA SCHOOLS  
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

***11. Use of Estimates***

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

**H. Revenues and Expenditures/Expenses**

***1. State Revenue***

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2021, the foundation allowance was based on a one time “super blend” to determine pupil membership based on counts taken in October 2020, February 2020, October 2019 and February 2019. For fiscal year ended June 30, 2021, the per pupil foundation allowance was \$8,111 for Kingsley Area Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2020 to August 2021. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

***2. Program Revenues***

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

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**3. Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2021, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund – Non-Principal Residence Exemption (PRE)	18.0000
General Fund – Commercial Personal Property	6.0000

**4. Compensated Absences**

It is the District’s policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

*Interest Rate Risk.* The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District’s cash requirement.

*Credit Risk.* The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District’s investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District’s investment policy.

*Concentration of Credit Risk.* The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2021, the District’s bank balance was \$2,488,976 and \$1,932,099 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The uninsured funds are spread across all funds. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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*Foreign Currency Risk.* The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

*Custodial Credit Risk –Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

As of June 30, 2021, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard &amp; Poor's Rating</u>	<u>%</u>
MILAF+ Cash Management Class	\$ 60	0.0027	AAAm	0.00%
MILAF+ MAX Class	<u>3,490,536</u>	0.0027	AAAm	<u>100.00%</u>
	<u>\$ 3,490,596</u>			<u>100.00%</u>
Portfolio Weighted Average Maturity		<u>0.0027</u>		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of “qualified” investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2021, the fair value of the District’s investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

**Fair Market Value Disclosure** - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt

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securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity’s own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The District does not have any investments subject to the fair value measurement.

The carrying amount of deposits and investments is as follows:

	Total
Deposits – including Fiduciary Funds of \$56,878	\$ 2,381,449
Cash on Hand	1,670
Investments - including Fiduciary Funds of \$214,154	3,490,596
	\$ 5,873,715

The above amounts are reported in the financial statements as follows:

	Total
Cash - Fiduciary Funds	\$ 56,878
Cash - District-Wide	2,326,241
Investments - Fiduciary Funds	214,154
Investments - District Wide	3,276,442
	\$ 5,873,715

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**B. Receivables**

Receivables as of year-end for the government's individual major funds and nonmajor are as follows:

	General Fund	Nonmajor Funds	Total
Receivable			
Accounts	\$ 4,971	\$ 0	\$ 4,971
Due from Other Governments	2,707,278	51,816	2,759,094
	\$ 2,712,249	\$ 51,816	\$ 2,764,065

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated				
Construction in Progress	\$ 0	\$ 95,715	\$ 0	95,715
Land	1,295,362	0	0	1,295,362
Subtotal	1,295,362	95,715	0	1,391,077
Capital assets being depreciated				
Buildings	14,070,055	103,642	61,895	14,111,802
Land Improvements	893,606	58,995	0	952,601
Machinery and Equipment	2,187,630	364,645	6,391	2,545,884
Transportation Equipment	1,859,000	172,990	64,986	1,967,004
Other Assets	8,000	0	0	8,000
Subtotal	19,018,291	700,272	133,272	19,585,291
Less accumulated depreciation for:				
Buildings	7,420,624	341,327	61,895	7,700,056
Land Improvements	652,471	37,662	0	690,133
Machinery and Equipment	1,381,038	152,160	6,391	1,526,807
Transportation Equipment	1,028,706	148,228	64,986	1,111,948
Other Assets	8,000	0	0	8,000
Accumulated depreciation	10,490,839	679,377	133,272	11,036,944
Net capital assets being depreciated	8,527,452	20,895	0	8,548,347
Net capital assets	\$ 9,822,814	\$ 116,610	\$ 0	\$ 9,939,424



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Depreciation for the fiscal year ended June 30, 2021, totaled \$679,377 was charged to the following functions:

Instruction	\$ 22,660
Support Services	597,944
Facilities Acquisition	16,327
Food Service Activities	42,446
Total	<u>\$ 679,377</u>

**D. Defined Benefit Plan and Postemployment Benefits**

**Plan Description** – The Michigan Public School Employees’ Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board’s authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www://michigan.gov/mpsers-cafr](http://www://michigan.gov/mpsers-cafr).

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.

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 of Michigan Investments Board serves as the investment officer and custodian of the System.

**Benefits Provided- Overall**

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

**Benefits Provided – Pension**

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. Retirement benefits for DB plan members are determined by final

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average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

***Pension Reform 2010***

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

***Pension Reform 2012***

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

**Option 1** - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

**Option 2** - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they

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reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transient date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

**Option 3** - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

**Option 4** - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

**Final Average Compensation (FAC)** - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

***Pension Reform of 2017***

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

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**Benefits Provided – Other postemployment benefit (OPEB)**

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

***Retiree Healthcare Reform of 2012***

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

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

***Regular Retirement (no reduction factor for age)***

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

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**Member Contributions**

Depending on the plan selected, member contributions range from 0% to 7% for pension and 0% to 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

**Employer Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.45%

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$2,480,525, with \$2,414,159 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB benefits were approximately \$618,463, with \$575,675 specifically for the Defined Benefit Plan.

These amounts for both pension and OPEB, include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

**Pension Liabilities**

At June 30, 2021, the District reported a liability of \$26,459,073 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the District's proportion was 0.07702543% and 0.07443440%.

**MPERS (Plan) Non-University Net Pension Liability**

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total Pension Liability	\$ 85,290,583,799	\$ 83,442,507,212
Fiduciary Net Position	50,939,496,006	50,325,869,388
Net Pension Liability	<u>\$ 34,351,087,793</u>	<u>\$ 33,116,637,824</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	59.72%	60.31%
Net Pension Liability as a percentage of Covered Payroll	387.25%	378.65%

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

For the year ended June 30, 2021, the District recognized total pension expense of \$4,459,401.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 404,273	\$ 56,473
Changes of assumptions	2,931,920	0
Net difference between projected and actual earnings on pension plan investments	111,169	0
Changes in proportion and differences between District contributions and proportionate share of contributions	1,281,357	17,134
District section 147c revenue related to pension contributions subsequent to the measurement date	0	1,025,254
District contributions subsequent to the measurement date	<u>2,345,698</u>	<u>0</u>
<b>Total</b>	<u>\$ 7,074,417</u>	<u>\$ 1,098,861</u>

\$2,345,698 reported as deferred outflows of resources and \$1,025,254 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2021	\$ 2,109,688
2022	1,488,100
2023	801,113
2024	<u>256,211</u>
	<u>\$ 4,655,112</u>

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

**OPEB Liabilities**

At June 30, 2021, the District reported a liability of \$4,213,029 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the District's proportion was 0.07864139% and 0.07472869%.

**MPERS (Plan) Non-University Employers Net OPEB Liability**

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total OPEB Liability	\$ 13,206,903,534	\$ 13,925,860,688
Fiduciary Net Position	7,849,636,555	6,748,112,668
Net OPEB Liability	<u>\$ 5,357,266,979</u>	<u>\$ 7,177,748,020</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	59.44%	48.46%
Net OPEB Liability as a Percentage of Covered Payroll	60.39%	82.07%



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**OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**

For the year ended June 30, 2021, the District recognized total OPEB expense of \$21,768.

At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 3,139,101
Changes of assumptions	1,389,119	0
Net difference between projected and actual earnings on OPEB plan investments	35,162	0
Changes in proportion and differences between District contributions and proportionate share of contributions	584,511	5,287
District contributions subsequent to the measurement date	548,738	0
<b>Total</b>	<b>\$ 2,557,530</b>	<b>\$ 3,144,388</b>

\$548,738 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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>Year Ended September 30,</b>	<b>Amount</b>
2021	\$ (297,545)
2022	(248,960)
2023	(214,263)
2024	(210,172)
2025	(164,656)
	<b>\$ (1,135,596)</b>

**G. Actuarial Assumptions**

**Investment rate of return for Pension** – 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

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**Investment rate of return for OPEB** – 6.95% a year, compounded annually net of investment and administrative expenses

**Salary increases** - The rate of pay increase used for individual members is 2.75% - 11.55%, including inflation at 2.75%.

**Inflation** – 3.0%

**Mortality assumptions** –

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

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

**Experience study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

**The long-term expected rate of return on pension and other postemployment benefit plan investments** - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

**Cost of Living Pension Adjustments** – 3.0% annual non-compounded for MIP members

**Healthcare cost trend rate for other postemployment benefit** – 7.0% for year one and graded to 3.5% to year fifteen.

**Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:**

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

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**Survivor Coverage** – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree’s death

**Coverage Election at Retirement** – 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

The target asset allocation at September 30, 2020 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.00%	5.60%
Private Equity Pools	16.00%	9.30%
International Equity Pools	15.00%	7.40%
Fixed Income Pools	10.50%	0.50%
Real Estate & Infrastructure Pools	10.00%	4.90%
Absolute Return Pools	9.00%	3.20%
Real Return/Opportunistic Pools	12.50%	6.60%
Short-Term Investment Pools	2.00%	-0.10%
	<u>100%</u>	

\*Long-term rate of return are net of administrative expenses and 2.1% inflation.

***Rate of return***

For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Pension Discount Rate***

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

***OPEB Discount Rate***

A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of

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

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit'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 than the current rate:

<b>Pension</b>					
	<b>1% Decrease</b>		<b>Discount Rate</b>		<b>1% Increase</b>
\$	34,246,782	\$	26,459,073	\$	20,004,798

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<b>OPEB</b>					
	<b>1% Decrease</b>		<b>Discount Rate</b>		<b>1% Increase</b>
\$	5,412,115	\$	4,213,029	\$	3,203,500

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<b>OPEB</b>					
	<b>1% Decrease</b>		<b>Current Healthcare Cost Trend Rates</b>		<b>1% Increase</b>
\$	3,164,847	\$	4,213,029	\$	5,405,208

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JUNE 30, 2021

**H. Pension and OPEB Plan Fiduciary Net Position**

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2020 Comprehensive Annual Financial Report.

**I. Payables to the Pension and OPEB Plan**

As of June 30, 2021, the District is current on all required pension and OPEB plan payments. As of June 30, 2021, the District reported payables in the amount of \$481,253 to the pension and OPEB plans. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**J. Risk Management**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees.

The District participates in a distinct pool of educational institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District adopted a self-insurance program effective July 1, 2019 for medical benefits for employees. An Internal Service Fund has been established to pay medical benefit claims of the District. The District contributes to the self-insurance program based on the amount of insurance premium that would have had to be paid to an insurance carrier for insurance coverage.

Estimates for the liability for unpaid claims are based on actual claims in process as of year-end and claims made in the two months following year-end.

A reconciliation of the liability for unpaid claims follows:

Liability, beginning of year	\$ 148,589
Claims incurred	1,048,818
Payments on claims	<u>(979,232)</u>
Liability, end of year	<u><u>\$ 218,175</u></u>

**K. Lease Information**

The rental expense for the year ended June 30, 2021, totaled \$18,740.

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The rental expense consists of lease agreements for office equipment. The future minimum lease payments for these leases are as follows:

YEAR ENDING	PAYABLES
2022	\$ 5,144

**L. Long-Term Obligations**

The following is a summary of the governmental long-term liability transactions for the District for the year ended June 30, 2021:

	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance - July 1, 2020	\$ 304,347	\$ 24,650,171	\$ 5,363,837	\$ 30,318,355
Additions	46,910	3,925,661	553,906	4,526,477
Reductions	(34,314)	(2,116,759)	(1,704,714)	(3,855,787)
Balance - June 30, 2021	316,943	26,459,073	4,213,029	30,989,045
Less Current Portion	Unknown	Unknown	Unknown	Unknown
Total Due After One Year	\$ 316,943	\$ 26,459,073	\$ 4,213,029	\$ 30,989,045

Accumulated Compensated Absences	\$ 316,943
Net Pension Liability	26,459,073
Net OPEB Liability	4,213,029
Total Long-Term Debt	\$ 30,989,045

Compensated absences, the net other postemployment benefit liability, and the net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

**M. Interfund Receivables and Payables**

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	\$ 3,007
Food Service Fund	General Fund	2,248
School Activity Fund	General Fund	3,381
Public Improvement Fund	General Fund	30
Internal Service Fund	General Fund	323,629
General Fund	Private Purpose Trust Fund	1,906
		\$ 334,201

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The outstanding balances between funds result mainly 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. All Interfund balances outstanding at June 30, 2021 are expected to be repaid within one year.

**N. Interfund Transfers**

The District had the following interfund transfers for the year ended June 30, 2021.

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 3,007
General Fund	2010 Debt Retirement Fund	46,860
Public Improvement Fund	General Fund	500,000
		<u>\$ 549,867</u>

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 in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**O. Other Information**

**1. Contingencies**

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

**2. Commitments**

As of June 30, 2021, the District had entered into purchase commitments. The District committed to purchasing a new food service van in the amount of \$33,521 as well as finishing the middle school parking lot for \$68,255, of which, \$30,715 was expensed in the 2020-2021 fiscal year. The District also committed to spend up to an additional \$30,700 on the food service line and up to \$34,680 on the bus garage parking lot lighting project.

**3. Single Audit**

Current federal guidelines require entities with federal expenditures exceeding \$750,000 to have a "single audit" of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**P. GASB Statement No. 77 (Tax Abatements)**

It has been determined that the District has granted tax abatements as defined by GASB Statement No. 77. However, the total of these abatements is less than \$6,000, and it has been determined they are not significant enough to warrant disclosure.

**Q. Upcoming Accounting Pronouncements**

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

Governmental Account Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.



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REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 1,371,956	\$ 1,327,433	\$ 1,338,103
State Sources	12,852,226	13,829,463	14,049,351
Federal Sources	244,540	1,292,027	1,092,272
Other Transactions	219,639	347,214	310,410
Total Revenues	<u>14,688,361</u>	<u>16,796,137</u>	<u>16,790,136</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	9,268,012	9,642,131	9,585,225
Added Needs	1,447,107	1,479,582	1,466,499
Supporting Services			
Pupil	353,367	371,894	371,647
Instructional Staff	114,219	126,034	125,924
General Administration	546,507	524,407	523,409
School Administration	670,426	687,793	686,503
Business	166,053	162,694	161,392
Operations and Maintenance	1,106,090	1,174,594	1,173,892
Transportation Services	1,193,343	1,111,172	1,110,629
Central Services	251,780	483,969	482,582
Athletic Activities	391,036	383,379	382,999
Community Services			
Custody and Care of Children	99,696	72,789	67,138
Non-Public School Pupils	5,646	8,068	7,202
Other Transactions	4,500	13,412	13,412
Total Expenditures	<u>15,617,782</u>	<u>16,241,918</u>	<u>16,158,453</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(929,421)</u>	<u>554,219</u>	<u>631,683</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	0	49,867
Transfers Out	(500)	(500,500)	(500,000)
Total Other Financing Sources (Uses)	<u>(500)</u>	<u>(500,500)</u>	<u>(450,133)</u>
Net Change In Fund Balances	(929,921)	53,719	181,550
<u>FUND BALANCE</u> - Beginning of Year	<u>5,494,719</u>	<u>5,306,072</u>	<u>5,306,072</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 4,564,798</u>	<u>\$ 5,359,791</u>	<u>\$ 5,487,622</u>

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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)  
JUNE 30, 2021

	<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>	<u>2014</u>
District's proportion of net pension liability (%)				0.07703%	0.07443%	0.07194%	0.06818%	0.06578%	0.06649%	0.06729%
District's proportionate share of net pension liability				\$ 26,459,073	\$ 24,650,171	\$ 21,626,237	\$ 17,668,054	\$ 16,411,751	\$ 16,240,659	\$ 14,822,674
District's covered payroll				6,987,791	6,542,954	6,282,734	5,819,615	5,476,392	5,307,984	5,522,364
District's proportionate share of net pension liability as a percentage of its covered payroll				378.65%	376.74%	344.22%	303.59%	299.68%	305.97%	268.41%
Plan fiduciary net position as a percentage of total pension liability				59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2021

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions				\$ 2,414,159	\$ 2,110,975	\$ 1,977,522	\$ 1,841,158	\$ 1,624,190	\$ 1,481,085	\$ 1,231,961
Contributions in relation to statutorily required contributions *				2,414,159	2,110,975	1,977,522	1,841,158	1,624,190	1,481,085	1,231,961
Contribution deficiency (excess)				\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll				\$ 7,358,679	\$ 6,921,669	\$ 6,450,087	\$ 6,260,851	\$ 5,933,116	\$ 5,254,582	\$ 5,386,300
Contributions as a percentage of covered payroll				32.81%	30.50%	30.66%	29.41%	27.37%	28.19%	22.87%

\* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)  
JUNE 30, 2021

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)							0.07864%	0.07473%	0.07415%	0.06782%
District's proportionate share of net OPEB liability							\$ 4,213,029	\$ 5,363,837	\$ 5,894,013	\$ 6,005,923
District's covered payroll							6,987,791	6,542,954	6,282,734	5,819,615
District's proportionate share of net OPEB liability as a percentage of its covered payroll							60.29%	81.98%	93.81%	103.20%
Plan fiduciary net position as a percentage of total OPEB liability							59.44%	48.46%	42.95%	36.39%

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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2021

	<u>2027</u>	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions							\$ 575,675	\$ 530,785	\$ 494,233	\$ 455,043
Contributions in relation to statutorily required contributions *							575,675	530,785	494,233	455,043
Contribution deficiency (excess)							\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll							\$ 7,358,679	\$ 6,921,669	\$ 6,450,087	\$ 6,260,851
Contributions as a percentage of covered payroll							7.82%	7.67%	7.66%	7.27%

\* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2021

Pension Information

**Changes of Benefit Terms** - There were no changes of benefit terms for the plan year ended September 30, 2020.

**Changes of Assumptions** – There were no changes of assumptions for the plan year ended September 30, 2020.

OPEB Information

**Changes of Benefit Terms** - There were no changes of benefit terms for the plan year ended September 30, 2020.

**Changes of Assumptions** – The assumption changes for the plan year ended September 30, 2020 were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

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COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2021

	<u>SPECIAL REVENUE FUNDS</u>				<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FOOD SERVICE FUND</u>	<u>SCHOOL ACTIVITY FUND</u>	<u>PUBLIC IMPROVEMENT FUND</u>	<u>2010 DEBT RETIREMENT FUND</u>	
<u>ASSETS</u>					
Cash	\$ 492,265	\$ 281,678	\$ 310,171	\$ 0	\$ 1,084,114
Due from Other Funds	2,248	3,381	30	0	5,659
Due from Other Governments	51,816	0	0	0	51,816
Inventory	23,091	0	0	0	23,091
<b>TOTAL ASSETS</b>	<b>\$ 569,420</b>	<b>\$ 285,059</b>	<b>\$ 310,201</b>	<b>\$ 0</b>	<b>\$ 1,164,680</b>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 44,075	\$ 745	\$ 30,715	\$ 0	\$ 75,535
Unearned Revenue	13,601	0	0	0	13,601
Due to Other Funds	3,007	0	0	0	3,007
<b>Total Liabilities</b>	<b>60,683</b>	<b>745</b>	<b>30,715</b>	<b>0</b>	<b>92,143</b>
<u>FUND BALANCE</u>					
Nonspendable:					
Inventory	23,091	0	0	0	23,091
Restricted for:					
Food Service	485,646	0	0	0	485,646
Committed for:					
School Activities	0	284,314	0	0	284,314
Public Improvements	0	0	279,486	0	279,486
<b>Total Fund Balance</b>	<b>508,737</b>	<b>284,314</b>	<b>279,486</b>	<b>0</b>	<b>1,072,537</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 569,420</b>	<b>\$ 285,059</b>	<b>\$ 310,201</b>	<b>\$ 0</b>	<b>\$ 1,164,680</b>

KINGSLEY AREA SCHOOLS  
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COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2021

	<u>SPECIAL REVENUE FUNDS</u>				<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FOOD SERVICE FUND</u>	<u>SCHOOL ACTIVITY FUND</u>	<u>PUBLIC IMPROVEMENT FUND</u>	<u>2010 DEBT RETIREMENT FUND</u>	
<u>REVENUES</u>					
Local Sources	\$ 72,585	\$ 134,474	\$ 20	\$ 22	\$ 207,101
State Sources	60,974	0	0	0	60,974
Federal Sources	937,698	0	0	0	937,698
Total Revenues	1,071,257	134,474	20	22	1,205,773
<u>EXPENDITURES</u>					
Operations and Maintenance	0	0	46,233	0	46,233
Other Support Services	0	144,874	0	44	144,918
Food Service Activities	943,904	0	0	0	943,904
Facilities Acquisition	0	0	185,845	0	185,845
Total Expenditures	943,904	144,874	232,078	44	1,320,900
Excess (Deficiency) of Revenues Over Expenditures	127,353	(10,400)	(232,058)	(22)	(115,127)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	0	0	500,000	0	500,000
Transfers Out	(3,007)	0	0	(46,860)	(49,867)
Total Other Financing Sources (Uses)	(3,007)	0	500,000	(46,860)	450,133
Net Change In Fund Balances	124,346	(10,400)	267,942	(46,882)	335,006
<u>FUND BALANCE</u> - Beginning of Year	384,391	294,714	11,544	46,882	737,531
<u>FUND BALANCE</u> - End of Year	\$ 508,737	\$ 284,314	\$ 279,486	\$ 0	\$ 1,072,537



