

**Benzie County Central School District**

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2022

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# BENZIE CENTRAL SCHOOLS

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Benzie County Central School’s annual financial report presents a discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2022. It is meant to be read in conjunction with the transmittal letter following this report and the District’s financial statements immediately following.

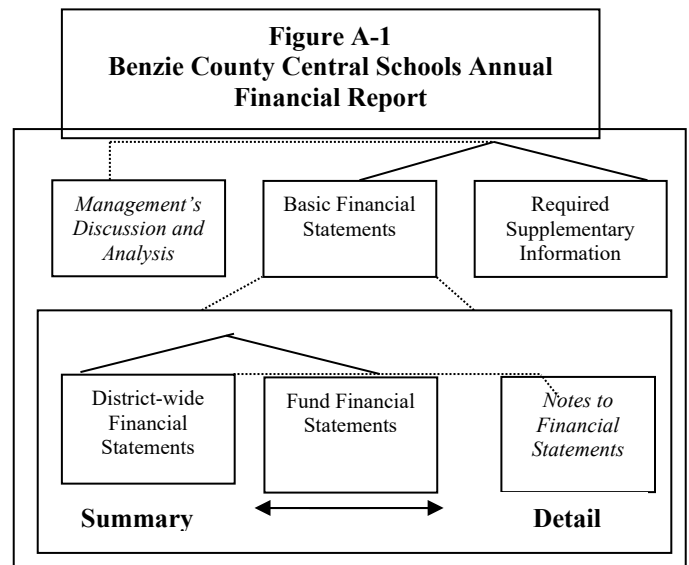
### FINANCIAL HIGHLIGHTS

- The District continued to be challenged by declining enrollment.
- The foundation grant increased from prior year to \$8,700/pupil. Blended enrollment decreased by 60.19 FTEs compared to June 2021 (6/30/2021 = 1,368.64; 6/30/2022 = 1,308.45).
- The District’s contribution rate for employee retirement increased to 43.28%.
- The District passed a sinking fund levy of 0.9 mills for a period of 10 years, 2017 to 2026, for the purchase of real estate for sites for, and the construction or repair of, school buildings, for school security improvements, and for the acquisition or upgrading of technology.
- The BCCEA (Teachers), BCCESP (Transportation) and BCCESP (Secretarial) contracts are settled through August 31, 2024. The BCCESP (Paraprofessionals), and BCCESP (Custodial) contracts are settled through August 31, 2025.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



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

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

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

**DISTRICT-WIDE STATEMENTS**

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

The two district-wide statements report the District’s *net position* and how it has changed. Net position – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration must be given to additional nonfinancial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

## FUND FINANCIAL STATEMENTS

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

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

The District has only one type of fund, governmental funds:

- *Governmental funds* – All of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps determine whether there are more or fewer 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 district-wide statements, additional information is provided with the governmental funds statements explaining the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net position

|   | 2021                          | 2022                         |
|---|-------------------------------|------------------------------|
| Current and other assets                        | \$ 46,654,420                 | \$ 44,139,274                |
| Capital assets                                  | 9,533,834                     | 14,194,725                   |
| Deferred outflows of resources                  | 6,133,720                     | 3,746,147                    |
| Total assets and deferred outflows of resources | <u>62,321,974</u>             | <u>62,080,146</u>            |
| Net pension liability                           | 25,715,266                    | 17,437,204                   |
| Net OPEB liability                              | 4,025,850                     | 1,108,764                    |
| Long-term debt outstanding                      | 38,161,465                    | 37,250,454                   |
| Other liabilities                               | 3,253,104                     | 4,125,759                    |
| Total liabilities                               | <u>71,155,685</u>             | <u>59,922,181</u>            |
| Deferred inflows of resources                   | 4,561,803                     | 11,190,523                   |
| Net position                                    |                               |                              |
| Net investment in capital assets                | 8,200,459                     | 8,454,227                    |
| Restricted                                      | 1,889,104                     | 2,679,222                    |
| Unrestricted (Deficit)                          | <u>(23,485,077)</u>           | <u>(20,166,007)</u>          |
| Total net position                              | <u><u>\$ (13,395,514)</u></u> | <u><u>\$ (9,032,558)</u></u> |

**Change in Net Position** - The District's financial position is the product of several independent factors. Overall, revenues and expenses both increased when compared to last year's data, resulting in an increase in net position. The change in net position for 21/22 is \$4,362,956 compared to \$1,656,346 for 20/21. A breakout of this \$4,362,956 can be found on page 7 of the audit. Revenues in most cases can't be controlled by the District, but the District continues to hold the line and increase expenditures as compared to last year.

| Revenues                                  | 2021                   | 2022                  |
|---|------------------------|-----------------------|
| Property Taxes                            |                        |                       |
| Levied for general purposes               | \$ 7,867,054           | \$ 8,280,813          |
| Levied for debt service                   | -                      | 1,845,617             |
| Levied for sinking fund                   | 789,826                | 815,845               |
| State School Aid - unrestricted           | 3,306,719              | 2,993,103             |
| Grants & contributions not restricted     | 168,089                | 271,973               |
| Charges for services                      | 189,790                | 264,145               |
| Operating grants and contributions        | 5,422,427              | 6,431,821             |
| Special Item - loss on disposal of assets | -                      | (24,412)              |
| Investment and other                      | 27,935                 | 65,546                |
| Total revenues                            | <u>17,771,840</u>      | <u>20,944,451</u>     |
| Expenses                                  |                        |                       |
| Instruction                               | 8,361,827              | 7,269,459             |
| Support services                          | 5,599,956              | 5,839,863             |
| Food service                              | 671,418                | 796,309               |
| Early Childhood                           | 129,765                | 105,409               |
| Student activities                        | 85,820                 | 142,067               |
| Athletics                                 | 254,148                | 280,671               |
| Other                                     | 452,923                | 68,539                |
| Interest on long-term debt                | 2,095                  | 1,463,372             |
| Depreciation                              | 557,542                | 615,806               |
| Total expenses                            | <u>16,115,494</u>      | <u>16,581,495</u>     |
| Change in net position                    | <u>\$ 1,656,346</u>    | <u>\$ 4,362,956</u>   |
| Net position, beginning of the year       | <u>(15,051,860)</u>    | <u>(13,395,514)</u>   |
| Net position, end of the year             | <u>\$ (13,395,514)</u> | <u>\$ (9,032,558)</u> |

### **District Governmental Activities**

The District continued to maintain its sound financial planning and personnel management for the 2021 - 2022 School Year.

- Teachers retiring or resigning from the District are replaced only if enrollments dictate the need for increased instruction.
- The District attempts to replace all resigning or retiring teachers at lower or entry level salary steps than the departing incumbent. However, the District is also seeing a shortage of qualified teachers and will recognize teaching years for the best qualified candidate.
- Grant funded programs are totally dependent upon dollars received. If dollars coming in from the grant decrease, expenses are decreased accordingly.
- The District continues to assess enrollment and has established the baseline classroom size should not be less than 15 students. Enrollment is reviewed constantly throughout the year.

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its general fund reported a fund balance of \$5,692,070 . The non-spendable inventory and prepaid expenditures of \$53,130 and \$55,538, respectively, and assigned employee sick time of \$166,430 total \$275,098 compared to \$277,186 last year.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises the annual operating budget periodically. The District begins the school year the last week of August, before the State’s fiscal year begins in October. Therefore, budget assumptions made by the District earlier in the year may not materialize when the State implements the education budget.

Changes are made to final student enrollment counts, staffing assignments and changes in grant funding since the original budget was adopted.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Depreciable assets for the 2021 - 2022 school year totaled \$22,876,667 or \$1,503,401 more than 2020 - 2021. Sinking fund and bond projects encompassed the majority of the addition to capital assets which totaled \$2,413,993 for the 2021 – 2022 school year. Approximately \$4.2 million in sinking fund and bond projects are in process as of June 30, 2022. For more details, see Note E, on page 20 of the audit.

|                           | 2021                 | 2022                 |
|---------------------------|----------------------|----------------------|
| Building and improvements | \$ 17,656,140        | \$ 19,174,747        |
| Furniture and fixtures    | 2,249,696            | 2,211,490            |
| Vehicles                  | 1,467,430            | 1,490,430            |
| <b>Total</b>              | <b>\$ 21,373,266</b> | <b>\$ 22,876,667</b> |

During the 2021 – 2022 school year, the District sold its Platte River Elementary building resulting in a net loss of \$24,412.

**Long-term Debt**

At year-end the District had \$38,179,711 in long-term debt. (More detailed information about the District’s long-term liabilities is presented in Note G, on page 21 of the audit.)

|                                   | 2021                 | 2022                 |
|-----------------------------------|----------------------|----------------------|
| General obligation bonds          | \$ 31,630,000        | \$ 31,305,000        |
| Energy Conservation Bond          | 66,490               | 66,490               |
| Unamortized Premium               | 6,936,048            | 6,641,791            |
| Accumulated Sick & Vacation Leave | 156,591              | 166,430              |
| <b>Total</b>                      | <b>\$ 38,789,129</b> | <b>\$ 38,179,711</b> |

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Enrollment continues to be a primary issue impacting Benzie Central School's financial position. The COVID-19 pandemic required local governmental entities to make decisions that impacted campuses, some of which led to possible reductions in enrollment. The District continues to work on building a superior early childhood education program to retain and enroll young students in the District. With a new elementary opening at the beginning of 2023/24, the District hopes new excitement of the new building will bring new students into the District to increase enrollment.
- The 2021/22 foundation allowance was \$8,700, a \$589 per pupil increase over the previous year. The blended pupil count for the 2021/22 school year was 1,308.45 which is a reduction of 60.19 students from 2020/21, and 106.42 less than the 2019/20 school year. At the 2020/21 foundation rate of \$8,700 per pupil, the 60.19 student decrease represents an approximate loss of \$523,623 in funding to the District. The official audited student count occurs in the Fall of 2022, any adjustments will be made to the District in future state aid payments.
- The District's retirement contribution rate for 2021/22 increased to 43.28%, an increase of 0.56%. The rate increased effective October 1, 2021 to 44.48% an increase of 1.2%.
- The sinking fund millage passed in 2016/17 generated \$818,488 in revenue and interest for the District in 2021/22. The mileage is expected to levy \$870,969 for the 2022/23 school year.
- The stakeholders of Benzie Central Schools passed a Bond in November of 2020. The approximate \$37M bond continues to help the District with numerous projects impacting all buildings in the District. Plans are underway for upgrades, additions, a new transportation hub, and a new Elementary building. The District faces many challenges that include supply chain issues, delays due to weather, and increased cost of materials.
- The USDA extended free meals to children through the 2021/22 school year due to the COVID-19 pandemic. This provided much needed meals for children and relief to families in the community. The District is reimbursed for each meal served to students throughout the year. The program is not being extended through the 2022/23 school year. The District is moving to a Community Eligibility Provision (CEP) meal funding option with the National School Lunch Program to continue to provide students in our community with free meals for the 2022/23 school year, continuing for a four-year cycle.

## **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. Additional financial data can be found on the District's website <http://www.benzieschools.net>. If you have questions about this report or need additional information, contact the Central Business Office, Benzie County Central Schools, 9300 Homestead Rd, Benzonia MI 49616.



## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Benzie County Central School District

### Report on the Audit of the Financial Statements

#### *Opinions*

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

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

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i - vi, budgetary comparison information on page 38, pension contribution schedule on page 39, and OPEB contribution schedule on page 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

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

Board of Education  
Benzie County Central School District

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Benzie County Central School District's internal control over financial reporting and compliance.

*Dennis, Gartland & Niergarth*

Certified Public Accountants  
Traverse City, Michigan

December 22, 2022

# Benzie County Central School District

## STATEMENT OF NET POSITION

June 30, 2022

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                   |                                    |
| <b>ASSETS</b>  |                                    |
| Current assets   |                                    |
| Cash and cash equivalents  | \$ 42,130,249                      |
| Due from other governments   | 1,801,601                          |
| Prepaid expenses   | 130,538                            |
| Other receivables  | 7,368                              |
| Inventory  | <u>69,518</u>                      |
| Total current assets   | 44,139,274                         |
| Capital assets, net of accumulated depreciation                    | <u>14,194,725</u>                  |
| Total assets   | <u>58,333,999</u>                  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                              |                                    |
| Deferred outflows for pension liability                            | 2,401,684                          |
| Deferred outflows for OPEB liability                               | <u>1,344,463</u>                   |
| Total deferred outflows of resources                               | <u>3,746,147</u>                   |
| Total assets and deferred outflows of resources                    | <u>\$ 62,080,146</u>               |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b> |                                    |
| <b>LIABILITIES</b>   |                                    |
| Current liabilities  |                                    |
| Accounts payable   | \$ 1,331,638                       |
| Salaries payable and related liabilities                           | 1,551,485                          |
| Unearned revenue   | 104,449                            |
| Accrued expenses   | 208,930                            |
| Current portion of long-term liabilities                           | <u>929,257</u>                     |
| Total current liabilities  | 4,125,759                          |
| Non-current portion of long-term liabilities                       | 37,250,454                         |
| Net pension liability  | 17,437,204                         |
| Net OPEB liability   | <u>1,108,764</u>                   |
| Total liabilities  | <u>59,922,181</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |                                    |
| Deferred inflows for pension liability                             | 6,629,325                          |
| Deferred inflows for OPEB liability                                | <u>4,561,198</u>                   |
| Total deferred inflows of resources                                | <u>11,190,523</u>                  |
| <b>NET POSITION</b>  |                                    |
| Net investment in capital assets                                   | 8,454,227                          |
| Restricted for   |                                    |
| Debt service   | 679,777                            |
| Capital projects   | 1,520,699                          |
| Food service   | 478,746                            |
| Unrestricted (deficit)   | <u>(20,166,007)</u>                |
| Total net position   | <u>(9,032,558)</u>                 |
| Total liabilities, deferred inflows of resources and net position  | <u>\$ 62,080,146</u>               |

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



# Benzie County Central School District

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

|   | General<br>Fund | 2021 School<br>Building &<br>Site Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------------|--|--------------------------------|--------------------------------|
| <b>ASSETS</b>                                     |                 |  |                                |                                |
| Cash and cash equivalents                         | \$ 5,136,305    | \$ 33,976,584                          | \$ 3,017,360                   | \$ 42,130,249                  |
| Prepaid expenditures                              | 55,538          | -                                      | 75,000                         | 130,538                        |
| Other receivables                                 | -               | -                                      | 7,368                          | 7,368                          |
| Intergovernmental receivable                      | 1,761,269       | -                                      | 40,332                         | 1,801,601                      |
| Due from other funds                              | 836,409         | -                                      | 266,754                        | 1,103,163                      |
| Inventory   | 53,130          | -                                      | 16,388                         | 69,518                         |
| Total assets                                      | \$ 7,842,651    | \$ 33,976,584                          | \$ 3,423,202                   | \$ 45,242,437                  |
| <b>LIABILITIES AND FUND BALANCES</b>              |                 |  |                                |                                |
| <b>LIABILITIES</b>                                |                 |  |                                |                                |
| Accounts payable                                  | \$ 369,151      | \$ 912,260                             | \$ 50,227                      | \$ 1,331,638                   |
| Salaries payable and related liabilities          | 1,551,485       | -                                      | -                              | 1,551,485                      |
| Unearned revenue                                  | 95,099          | -                                      | 9,350                          | 104,449                        |
| Due to other funds                                | 134,846         | 791,541                                | 176,776                        | 1,103,163                      |
| Total liabilities                                 | 2,150,581       | 1,703,801                              | 236,353                        | 4,090,735                      |
| <b>FUND BALANCES</b>                              |                 |  |                                |                                |
| Nonspendable - inventory and prepaid expenditures | 108,668         | -                                      | 91,388                         | 200,056                        |
| Restricted  |                 |  |                                |                                |
| Debt service                                      | -               | -                                      | 888,707                        | 888,707                        |
| Capital projects                                  | -               | 32,272,783                             | 1,520,699                      | 33,793,482                     |
| Food service                                      | -               | -                                      | 387,358                        | 387,358                        |
| Committed - student activities                    | -               | -                                      | 156,587                        | 156,587                        |
| Assigned - employee sick time                     | 166,430         | -                                      | -                              | 166,430                        |
| Assigned - early childhood                        | -               | -                                      | 142,110                        | 142,110                        |
| Unassigned  | 5,416,972       | -                                      | -                              | 5,416,972                      |
| Total fund balances                               | 5,692,070       | 32,272,783                             | 3,186,849                      | 41,151,702                     |
| Total liabilities and fund balances               | \$ 7,842,651    | \$ 33,976,584                          | \$ 3,423,202                   |                                |

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

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$27,177,136 and the accumulated depreciation is \$(12,982,411). 14,194,725

Deferred outflows of resources for pension and OPEB are not a financial resource and, therefore, are not reported as assets in governmental funds. 3,746,147

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

|                             |               |              |
|-----------------------------|---------------|--------------|
| Bonds and loans payable     | \$ 31,371,490 |              |
| Accrued interest on bonds   | 208,930       |              |
| Unamortized bond premium    | 6,641,791     |              |
| Accumulated leave liability | 166,430       |              |
| Net pension liability       | 17,437,204    |              |
| Net OPEB liability          | 1,108,764     | (56,934,609) |

Deferred inflows of resources for pension and OPEB are not a financial resource and, therefore, are not reported as liabilities in governmental funds. (11,190,523)

Total net position - governmental activities \$ (9,032,558)

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

## Benzie County Central School District

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

Year Ended June 30, 2022

|   | General<br>Fund     | 2021 School<br>Building &<br>Site Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--|--------------------------------|--------------------------------|
| Revenues  |                     |  |                                |                                |
| Property taxes  | \$ 8,280,813        | \$ -                                   | \$ 2,661,462                   | \$ 10,942,275                  |
| Interest  | 7,343               | 53,869                                 | 3,644                          | 64,856                         |
| State revenues  | 6,141,871           | -                                      | 59,103                         | 6,200,974                      |
| Federal revenues  | 1,455,077           | -                                      | 907,705                        | 2,362,782                      |
| Other   | 969,804             | -                                      | 420,768                        | 1,390,572                      |
| Total revenues  | 16,854,908          | 53,869                                 | 4,052,682                      | 20,961,459                     |
| Expenditures  |                     |  |                                |                                |
| Instruction   | 8,695,428           | -                                      | -                              | 8,695,428                      |
| Supporting services   | 6,142,095           | -                                      | -                              | 6,142,095                      |
| Food service  | -                   | -                                      | 796,309                        | 796,309                        |
| Early childhood   | -                   | -                                      | 105,409                        | 105,409                        |
| Student activities  | -                   | -                                      | 142,067                        | 142,067                        |
| Athletics   | 280,671             | -                                      | -                              | 280,671                        |
| Other   | 68,539              | -                                      | -                              | 68,539                         |
| Debt service  |                     |  |                                |                                |
| Principal   | -                   | -                                      | 325,000                        | 325,000                        |
| Interest  | 2,698               | -                                      | 1,546,356                      | 1,549,054                      |
| Capital outlay  | 649,541             | 4,166,493                              | 925,890                        | 5,741,924                      |
| Total expenditures  | 15,838,972          | 4,166,493                              | 3,841,031                      | 23,846,496                     |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b>                                       | <b>1,015,936</b>    | <b>(4,112,624)</b>                     | <b>211,651</b>                 | <b>(2,885,037)</b>             |
| Other financing sources (uses)  |                     |  |                                |                                |
| Operating transfers in  | -                   | -                                      | 913,756                        | 913,756                        |
| Operating transfers out   | -                   | (913,756)                              | -                              | (913,756)                      |
| Total other financing sources (uses)  | -                   | (913,756)                              | 913,756                        | -                              |
| <b>REVENUE OVER (UNDER)<br/>EXPENDITURES AND OTHER<br/>FINANCING SOURCES (USES)</b> | <b>1,015,936</b>    | <b>(5,026,380)</b>                     | <b>1,125,407</b>               | <b>(2,885,037)</b>             |
| <b>SPECIAL ITEMS</b>  |                     |  |                                |                                |
| Proceeds from the sale of assets  | 7,404               | -                                      | -                              | 7,404                          |
| <b>CHANGE IN FUND BALANCE</b>   | <b>1,023,340</b>    | <b>(5,026,380)</b>                     | <b>1,125,407</b>               | <b>(2,877,633)</b>             |
| Fund balance, beginning of year   | 4,668,730           | 37,299,163                             | 2,061,442                      | 44,029,335                     |
| Fund balance, end of year   | <u>\$ 5,692,070</u> | <u>\$ 32,272,783</u>                   | <u>\$ 3,186,849</u>            | <u>\$ 41,151,702</u>           |

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



## Benzie County Central School District

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

Year Ended June 30, 2022

**Total Net Change in Fund Balances - Governmental Funds** \$ (2,877,633)

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

|  |                      |                  |           |
|--|----------------------|------------------|-----------|
|  | Capital outlays      | \$ 5,301,109     |           |
|  | Depreciation expense | <u>(615,806)</u> | 4,685,303 |

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.

(24,412)

Change in deferred outflows of resources for:

|  |                   |                  |             |
|--|-------------------|------------------|-------------|
|  | Pension liability | \$ (1,944,685)   |             |
|  | OPEB liability    | <u>(442,888)</u> | (2,387,573) |

In the statement of activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, sick time earned was greater than the amounts paid by \$9,839.

(9,839)

Repayment of bond principal is an expenditure or other financing use in the governmental funds, but reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

325,000

Amortization of bond premium.

294,257

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the statement of activities is different by the change in accrued interest on bonds payable.

(208,575)

Decrease in net pension liability

8,278,062

Decrease in net OPEB liability

2,917,086

Change in deferred inflows of resources for:

|  |                   |                    |                    |
|--|-------------------|--------------------|--------------------|
|  | Pension liability | \$ (5,465,922)     |                    |
|  | OPEB liability    | <u>(1,162,798)</u> | <u>(6,628,720)</u> |

**Changes in Net Position of Governmental Activities**

\$ 4,362,956

# **Benzie County Central School District**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Introduction***

Benzie County Central School District (the "School District") is a Michigan public school district consisting of three child cares, four elementary schools, a middle school and a high school. The School District primarily serves the Benzonia, Lake Ann, Honor and Crystal Lake communities. As of June 30, 2022, the School District employs 90 professional staff and 70 non-professional staff, and has 1,309 students enrolled within its School District.

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

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

#### ***The Financial Reporting Entity***

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

#### ***Government-Wide and Fund Financial Statements***

##### ***Government-Wide Financial Statements***

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

## NOTES TO FINANCIAL STATEMENTS - Continued

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

### *Fund Financial Statements*

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

### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS - Continued

### ***Fund Types and Major Funds***

#### *Activities in Major Funds*

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

The 2021 School Building and Site Fund is used to account for financial resources to be used for the improvement of major capital facilities. This fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code.

#### *Other Governmental Funds*

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

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

The 2017 Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the school district has complied with the applicable provisions of Section 1212 of the Revised School Code.

#### ***Cash and Cash Equivalents***

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

#### ***Inventories***

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used.

NOTES TO FINANCIAL STATEMENTS - Continued

***Capital Assets***

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

Estimated useful lives, in years, for depreciable assets are as follows:

|                                    |          |
|------------------------------------|----------|
| Buildings                          | 50 years |
| Improvements, other than buildings | 20 years |
| Buses and vehicles                 | 10 years |
| Furniture and equipment            | 5 years  |

***Deferred Outflows and Inflows of Resources***

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

***Fund Balance***

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

## NOTES TO FINANCIAL STATEMENTS - Continued

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

### ***Program Revenues***

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

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

### ***Encumbrance Accounting***

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

### ***Allocation of Expenses***

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

The School District has elected to not allocate indirect expenses.

### ***Pension Plan***

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

***Post-Employment Benefits Other than Pensions***

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

***Use of Estimates in the Preparation of Financial Statements***

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

**NOTE B - BUDGETARY POLICY AND PRACTICE**

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

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

NOTES TO FINANCIAL STATEMENTS - Continued

***Excess of Expenditures Over Appropriations in Budgeted Funds***

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

|                           | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------|---------------|---------------|-----------------|
| General Fund              |               |               |                 |
| Instruction               |               |               |                 |
| Pre-Kindergarten Learning |               |               |                 |
| Exp (GSRP)                | \$ 302,725    | \$ 319,250    | \$ (16,525)     |
| Title I                   | 330,553       | 430,234       | (99,681)        |
| Supporting Services       |               |               |                 |
| Student Assessment (GSRP) | 329           | 10,173        | (9,844)         |
| Technology                | 463,152       | 529,899       | (66,747)        |
| Athletics                 | 302,178       | 302,757       | (579)           |

**NOTE C - CASH AND CASH EQUIVALENTS**

At June 30, 2022, the School District's cash and investments include the following:

|               | <u>Cash and Cash<br/>Equivalents</u> |
|---------------|--------------------------------------|
| Cash on hand  | \$ 200                               |
| Bank deposits | 8,153,465                            |
| Investments   | <u>33,976,584</u>                    |
| Total         | <u>\$ 42,130,249</u>                 |

***Bank Deposits***

All of the School District's bank deposits are with financial institutions which provide FDIC insurance coverage.

As of June 30, 2022, \$8,429,205 of the School District's bank balance of \$9,106,687 was exposed to custodial credit risk because it was uninsured and uncollateralized.

***Investments***

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

1. Bonds and other obligations of the United States; the principal and interest of which are fully guaranteed by the United States; or obligations of the State.



NOTES TO FINANCIAL STATEMENTS - Continued

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

Investments at June 30, 2022 consisted of the following:

| <u>Investment Type</u> | <u>Fair Value</u>   | <u>Investment Maturities (in years)</u> |             |             |                     |
|------------------------|---------------------|---|-------------|-------------|---------------------|
|                        |                     | <u>Current</u>                          | <u>1-5</u>  | <u>6-10</u> | <u>More than 10</u> |
| MILAF                  | <u>\$33,976,584</u> | <u>\$33,976,584</u>                     | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u>         |

*Interest Rate Risk*

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates.

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

*Credit Risk*

The School District's investment policy limits investments in commercial paper to a prime or better rating at the time of purchase and maturing not more than 270 days after the date of purchase. As of June 30, 2022, the School District's investment in the MILAF investment pool was rated AAAM by Standard & Poor's.

**NOTE D - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE**

*Property Taxes Receivable, Unearned Revenue and Property Tax Calendar*

Property taxes are levied, billed and attached as enforceable liens in July and December of the School District's fiscal year. Townships within the School District collect and remit taxes until February 15, at which time the uncollected real property taxes are turned over to the counties as delinquent. Delinquent real property taxes are funded by the county and remitted to the School District. Delinquent personal property tax remains a receivable until collected from the taxpayer by the townships and remitted to the School District.

In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as unearned revenue. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due to the School District regardless of when cash is received. Over time, substantially all property taxes are collected.

During the fiscal year, \$18 per \$1,000 of equalized non-principal residence property value of \$455 million and \$6 per \$1,000 of equalized commercial personal property value of \$8 million was levied for general operating purposes. For debt service purposes, \$1.99 per \$1,000 of total equalized property value of \$928 million was levied for bonded debt repayments by the Debt Service Fund. For sinking fund purposes, \$0.90 per \$1,000 of total equalized property value of \$928 million was levied for the purchase of real estate sites for, and construction or repair of, school building, for school security improvements, and for the acquisition or upgrading of technology.

*Intergovernmental Receivables and Unearned Revenue*

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Unearned revenues in the governmental fund financial statements include grant revenue for which eligible expenditures have not been incurred.

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

|  |                     |
|--|---------------------|
| Due from the State of Michigan - State Aid | \$ 1,039,917        |
| Due from Federal Grants                    | 705,770             |
| Other                                      | <u>55,914</u>       |
|  | <u>\$ 1,801,601</u> |

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE E - INVESTMENTS IN CAPITAL ASSETS**

Investments in capital assets consist of the following during the year ended June 30, 2022:

|                               | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Retirements</u>  | <u>Ending<br/>Balance</u> |
|-------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| Buildings and improvements    | \$ 17,656,140                | \$ 2,390,993        | \$ (872,386)        | \$ 19,174,747             |
| Furniture and equipment       | 2,249,696                    | -                   | (38,206)            | 2,211,490                 |
| Buses and vehicles            | <u>1,467,430</u>             | <u>23,000</u>       | <u>-</u>            | <u>1,490,430</u>          |
| Total depreciable assets      | 21,373,266                   | 2,413,993           | (910,592)           | 22,876,667                |
| Less accumulated depreciation | (13,252,785)                 | (615,806)           | 886,180             | (12,982,411)              |
| Construction-in-process       | 1,359,912                    | 3,406,732           | (519,616)           | 4,247,028                 |
| Land                          | <u>53,441</u>                | <u>-</u>            | <u>-</u>            | <u>53,441</u>             |
| Total capital assets, net     | <u>\$ 9,533,834</u>          | <u>\$ 5,204,919</u> | <u>\$ (544,028)</u> | <u>\$ 14,194,725</u>      |

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

|             |                     |
|-------------|---------------------|
| Unallocated | <u>\$ (615,806)</u> |
|-------------|---------------------|

During the year ended June 30, 2022, the School District sold the Platte River Elementary school building and auctioned off its related furniture and fixtures for a total of \$7,404. The cost of the buildings and related furniture and fixtures were \$910,592 with a net book value of \$24,412 resulting in a loss on the sale of \$17,008 which is included as a special item on the statement of activities.

**NOTE F - STATE AID ANTICIPATION NOTE PAYABLE**

State Aid anticipation notes were issued to fund operations until State aid was received. The notes were secured by July and August State aid payments, bearing interest ranging from 0.70% to 0.25% and were due July 20, 2021 and August 20, 2021. Changes in State aid anticipation notes payable during the year ended June 30, 2022 were as follows:

| <u>Beginning<br/>Balance</u> | <u>New Debt</u> | <u>Payments</u>   | <u>Ending<br/>Balance</u> |
|------------------------------|-----------------|-------------------|---------------------------|
| <u>\$ 671,429</u>            | <u>\$ -</u>     | <u>\$ 671,429</u> | <u>\$ -</u>               |

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE G - LONG-TERM LIABILITIES**

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

|                                    | Beginning<br>Balance | New<br>Debt     | Payments/<br>Defeasance | Ending<br>Balance   | Current<br>Portion |
|------------------------------------|----------------------|-----------------|-------------------------|---------------------|--------------------|
| General obligation bonds           | \$31,630,000         | \$ -            | \$ (325,000)            | \$31,305,000        | \$ 635,000         |
| Energy conservation<br>bonds       | 66,490               | -               | -                       | 66,490              | -                  |
| Unamortized premium                | 6,936,048            | -               | (294,257)               | 6,641,791           | 294,257            |
| Accumulated leave<br>liability     | <u>156,591</u>       | <u>9,839</u>    | <u>-</u>                | <u>166,430</u>      | <u>-</u>           |
| Long-term debt at<br>June 30, 2022 | <u>\$38,789,129</u>  | <u>\$ 9,839</u> | <u>\$ (619,257)</u>     | <u>\$38,179,711</u> | <u>\$ 929,257</u>  |

Payments on general obligation bonds are made by the Debt Service Fund. All other borrowing and the accumulated leave liability will be liquidated primarily by the General Fund.

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

|   |                     |
|---|---------------------|
| \$31,630,000 2021 Building and Site Bonds for building a new elementary school; additions and remodeling of existing schools and bus garages; installing instructional technology; building and improving playgrounds, playfields and sites; and purchasing buses; due in annual installments of \$325,000 to \$2,310,000 through May 2045, plus interest at a rate of 4.00%. | \$31,305,000        |
| \$1,340,000 2009 Energy Conservation Bonds for the purpose of energy conservation improvements; due in installments of \$85,000 to \$105,000 through June 2024; plus interest at a rate of .90% over the prime rate. An accelerated payment of \$335,000 was made during the year ended June 30, 2020 with the final balance due June 2024.                                   | <u>66,490</u>       |
| Total bonds payable   | 31,371,490          |
| Unamortized premium   | 6,641,791           |
| Accumulated leave liability   | <u>166,430</u>      |
| Total long-term debt  | <u>\$38,179,711</u> |

Interest expense for the year ended June 30, 2022 was \$1,463,372 and interest paid was \$1,549,054.

NOTES TO FINANCIAL STATEMENTS - Continued

Total annual requirements to amortize bonds and loans outstanding as of June 30, 2022 are as follows:

| Years Ending<br><u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      |
|---------------------------------|----------------------|----------------------|
| 2023                            | \$ 635,000           | \$ 1,254,959         |
| 2024                            | 646,490              | 1,229,559            |
| 2025                            | 675,000              | 1,203,600            |
| 2026                            | 770,000              | 1,176,600            |
| 2027                            | 845,000              | 1,145,800            |
| 2028 - 2032                     | 5,230,000            | 5,173,200            |
| 2033 - 2037                     | 6,710,000            | 4,014,800            |
| 2038 - 2042                     | 9,245,000            | 2,470,200            |
| 2043 - 2045                     | <u>6,615,000</u>     | <u>537,200</u>       |
|                                 | <u>\$ 31,371,490</u> | <u>\$ 18,205,918</u> |

***Accumulated Leave Liability***

Employees of the School District accumulate days of compensated sick leave, as specified by the bargaining units' contract. This benefit vests after 10 years of employment. Upon either resignation or retirement, the employees are compensated at daily rates specified in the bargaining units' contracts.

**NOTE H - RISK MANAGEMENT**

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

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

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

NOTES TO FINANCIAL STATEMENTS - Continued

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

**NOTE I - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY**

*Receivables and Payables*

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

| <u>Fund</u>                      | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|----------------------------------|---------------------------------|------------------------------|
| Major Funds:                     |                                 |                              |
| General Fund                     | \$ 836,409                      | \$ 134,846                   |
| 2021 School Building & Site Fund | -                               | 791,541                      |
| Non-major Funds:                 |                                 |                              |
| Food Service Fund                | 2,455                           | 88,140                       |
| Early Childhood Fund             | 87,786                          | 77,529                       |
| Student Activity Fund            | -                               | 11,107                       |
| 2017 Capital Sinking Fund        | <u>176,513</u>                  | <u>-</u>                     |
|                                  | <u>\$ 1,103,163</u>             | <u>\$ 1,103,163</u>          |

*Transfers and Payments*

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

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

NOTES TO FINANCIAL STATEMENTS - Continued

The following schedule reports transfers and payments within the reporting entity:

| <u>Transfer in</u>       | <u>Amount</u>     | <u>Transfer out</u>              | <u>Amount</u>     |
|--------------------------|-------------------|----------------------------------|-------------------|
| Other Governmental Funds |                   | Major Governmental Funds         |                   |
| 2021 Debt Service Fund   | <u>\$ 913,756</u> | 2021 School Building & Site Fund | <u>\$ 913,756</u> |

The transfer from the 2021 School Building & Site Fund to the 2021 Debt Service Fund was a required use of bond proceeds for the first interest payment on the bond.

**NOTE J - PENSION PLAN**

***Plan Description***

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

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

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

***Benefits Provided***

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

NOTES TO FINANCIAL STATEMENTS - Continued

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

**Contributions**

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

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

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

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

Required contributions to the pension plan from the School District were \$3,079,418 for the year ended September 30, 2021.



NOTES TO FINANCIAL STATEMENTS - Continued

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

At June 30, 2022, the School District reported a liability of \$17,437,204 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2021, the School District's proportion was 0.07365111%, which was a decrease of 0.00120901% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense of \$1,385,522. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 270,110                                    | \$ 102,684                                   |
| Changes of assumptions  | 1,099,179                                     | -  |
| Net difference between projected and actual earnings on pension plan investments                              | -   | 5,606,005                                    |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | -   | 920,636                                      |
| Employer contributions subsequent to the measurement date   | <u>1,032,395</u>                              | <u>-</u>                                     |
| Total   | <u>\$ 2,401,684</u>                           | <u>\$ 6,629,325</u>                          |

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$1,032,395 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Years Ending<br/>September 30,</u> | <u>Amount</u>         |
|---------------------------------------|-----------------------|
| 2022                                  | \$ (976,049)          |
| 2023                                  | (1,255,366)           |
| 2024                                  | (1,477,100)           |
| 2025                                  | <u>(1,551,521)</u>    |
|                                       | <u>\$ (5,260,036)</u> |

*Actuarial Assumptions*

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions*

|                                     |   |
|-------------------------------------|---|
| Valuation Date:                     | September 30, 2020  |
| Actuarial Cost Method:              | Entry Age, Normal   |
| Wage Inflation Rate:                | 2.75%   |
| Investment Rate of Return:          |   |
| MIP and Basic Plans:                | 6.80% net of investment expenses  |
| Pension Plus Plan:                  | 6.80% net of investment expenses  |
| Pension Plus 2 Plan:                | 6.00% net of investment expenses  |
| Projected Salary Increases:         | 2.75-11.55%, including wage inflation at 2.75%  |
| Cost-of-Living Pension Adjustments: | 3% Annual Non-Compounded for MIP Members  |
| Mortality:                          |   |
| Retirees:                           | RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Active Members:                     | RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.                                 |

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4367
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

***Long-Term Expected Rate of Return on Plan Assets***

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

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

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

***Rate of Return***

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

NOTES TO FINANCIAL STATEMENTS - Continued

***Discount Rate***

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

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

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

| 1% Decrease<br><u>(5.80% / 5.80% / 5.00%)</u> | Current Single Discount<br>Rate Assumption<br><u>(6.80% / 6.80% / 6.00%)</u> | 1% Increase<br><u>(7.80% / 7.80% / 7.00%)</u> |
|---|--|---|
| \$ 24,930,473                                 | \$ 17,437,204  | \$ 11,224,793                                 |

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

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

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

The School District reported \$109,346 and \$5,071 payable to the plan at June 30, 2022 for legally required defined benefit and defined contribution plan contributions, respectively.

**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

***Plan Description***

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

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

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

***Benefits Provided***

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

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

NOTES TO FINANCIAL STATEMENTS - Continued

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

**Contributions**

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 19-year period beginning October 1, 2020 and ending September 30, 2038.

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

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

Required contributions to the OPEB plan from the School District were \$539,241 for the year ended September 30, 2021.

NOTES TO FINANCIAL STATEMENTS - Continued

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

At June 30, 2022, the School District reported a liability of \$1,108,764 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2020. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.07264023%, which was a decrease of 0.00250722% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized OPEB income of \$783,349. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ -  | \$ 3,164,889                                 |
| Changes of assumptions  | 926,872                                       | 138,695                                      |
| Net difference between projected and actual earnings on OPEB plan investments                                 | -   | 835,696                                      |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 8,610   | 421,918                                      |
| Employer contributions subsequent to the measurement date   | <u>408,981</u>                                | <u>-</u>                                     |
| Total   | <u>\$ 1,344,463</u>                           | <u>\$ 4,561,198</u>                          |

From the above table, contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$408,981 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Years Ending<br/>September 30,</u> | <u>Amount</u>         |
|---------------------------------------|-----------------------|
| 2022                                  | \$ (999,221)          |
| 2023                                  | (891,755)             |
| 2024                                  | (760,648)             |
| 2025                                  | (683,992)             |
| 2026                                  | (256,451)             |
| Thereafter                            | <u>(33,649)</u>       |
| Total                                 | <u>\$ (3,625,716)</u> |

NOTES TO FINANCIAL STATEMENTS - Continued

***Actuarial Assumptions***

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

|                             |  |
|-----------------------------|--|
| Valuation Date:             | September 30, 2020   |
| Actuarial Cost Method:      | Entry Age, Normal  |
| Wage Inflation Rate:        | 2.75%  |
| Investment Rate of Return:  | 6.95% net of investment expenses   |
| Projected Salary Increases: | 2.75-11.55%, including wage inflation at 2.75%   |
| Healthcare Cost Trend Rate: | Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120<br>Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120  |
| Mortality:                  | Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.<br>Active Members: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |

Other Assumptions

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.



NOTES TO FINANCIAL STATEMENTS - Continued

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

***Long-Term Expected Rate of Return on Plan Assets***

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

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

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

***Rate of Return***

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

***Discount Rate***

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

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

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

| <u>1% Decrease<br/>(5.95%)</u> | <u>Current<br/>Discount Rate<br/>(6.95%)</u> | <u>1% Increase<br/>(7.95%)</u> |
|--------------------------------|--|--------------------------------|
| \$ 2,060,284                   | \$ 1,108,764                                 | \$ 301,264                     |

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

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

| <u>1% Decrease</u> | <u>Current Healthcare<br/>Cost Trend Rate</u> | <u>1% Increase</u> |
|--------------------|---|--------------------|
| \$ 269,864         | \$ 1,108,764                                  | \$ 2,052,628       |

***OPEB Plan Fiduciary Net Position***

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

## NOTES TO FINANCIAL STATEMENTS - Continued

### *Payables to the OPEB Plan*

The School District reported a \$49,715 payable to the Plan at June 30, 2022 for the OPEB liability.

## **NOTE L - COMMITMENTS AND CONTINGENCIES**

### *Federal and State Grants*

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

### *Collectively Bargained Employment Agreements*

The teachers of the School District are organized under the Benzie County Central Education Association. The Board of Education and the Benzie County Central Education Association have a contract through August 31, 2024.

The support personnel at the School District are organized under the Northern Michigan Education Association. The Board of Education and the Northern Michigan Education Association have a contract through August 31, 2025.

## **NOTE M - RISKS AND UNCERTAINTIES**

### *COVID-19*

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

**REQUIRED SUPPLEMENTARY INFORMATION**

## Benzie County Central School District

### BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2022

|   | Budgeted Amounts    |                     | Actual (GAAP<br>Basis) | Variances - Positive (Negative) |                          |
|---|---------------------|---------------------|------------------------|---------------------------------|--------------------------|
|   | Original            | Final               |                        | Original to Final               | Final to Actual<br>Total |
| <b>Revenues</b>                               |                     |                     |                        |                                 |                          |
| Local and intermediate sources                | \$ 7,905,252        | \$ 8,589,188        | \$ 8,442,588           | \$ 683,936                      | \$ (146,600)             |
| State revenues                                | 3,981,761           | 6,204,991           | 6,141,871              | 2,223,230                       | (63,120)                 |
| Federal revenues                              | 884,985             | 1,666,880           | 1,455,077              | 781,895                         | (211,803)                |
| Other   | 503,704             | 771,453             | 822,776                | 267,749                         | 51,323                   |
| <b>Total revenues</b>                         | <b>13,275,702</b>   | <b>17,232,512</b>   | <b>16,862,312</b>      | <b>3,956,810</b>                | <b>(370,200)</b>         |
| <b>Expenditures</b>                           |                     |                     |                        |                                 |                          |
| <b>Instruction</b>                            |                     |                     |                        |                                 |                          |
| Elementary                                    | 3,276,671           | 3,309,002           | 3,038,187              | (32,331)                        | 270,815                  |
| Middle School                                 | 1,401,323           | 1,614,637           | 1,600,557              | (213,314)                       | 14,080                   |
| High School                                   | 1,754,146           | 1,739,329           | 1,718,957              | 14,817                          | 20,372                   |
| High School Alt Ed                            | -                   | 6,971               | -                      | (6,971)                         | 6,971                    |
| Pre-Kindergarten Learning Exp<br>(GSRP)       | 179,153             | 302,725             | 319,250                | (123,572)                       | (16,525)                 |
| Special Ed                                    | 1,263,971           | 1,281,806           | 1,219,923              | (17,835)                        | 61,883                   |
| At Risk                                       | 506,088             | 473,244             | 370,401                | 32,844                          | 102,843                  |
| Title I                                       | 252,192             | 330,553             | 430,234                | (78,361)                        | (99,681)                 |
| Classroom Reduction                           | 51,576              | 65,831              | -                      | (14,255)                        | 65,831                   |
| Vocation Ed                                   | 180,568             | 109,407             | 106,978                | 71,161                          | 2,429                    |
| <b>Total instruction</b>                      | <b>8,865,688</b>    | <b>9,233,505</b>    | <b>8,804,487</b>       | <b>(367,817)</b>                | <b>429,018</b>           |
| <b>Supporting Services</b>                    |                     |                     |                        |                                 |                          |
| Guidance                                      | 237,447             | 446,914             | 352,176                | (209,467)                       | 94,738                   |
| Schools Improvement                           | 31,589              | 36,028              | 12,438                 | (4,439)                         | 23,590                   |
| Supervision/Direction of Inst Staff<br>(GSRP) | 94,233              | 129,690             | 129,450                | (35,457)                        | 240                      |
| Student Assessment (GSRP)                     | 479                 | 329                 | 10,173                 | 150                             | (9,844)                  |
| Board of Education                            | 104,287             | 113,758             | 83,796                 | (9,471)                         | 29,962                   |
| Central Business                              | 337,196             | 369,838             | 354,723                | (32,642)                        | 15,115                   |
| School Administration                         | 1,051,354           | 1,155,062           | 1,044,640              | (103,708)                       | 110,422                  |
| Fiscal Services                               | 264,645             | 309,241             | 298,191                | (44,596)                        | 11,050                   |
| Business Services                             | 87,011              | 93,950              | 92,444                 | (6,939)                         | 1,506                    |
| Operations and Maintenance                    | 1,592,233           | 2,479,707           | 2,210,194              | (887,474)                       | 269,513                  |
| Transportation                                | 1,612,335           | 1,584,920           | 1,474,644              | 27,415                          | 110,276                  |
| Staff/Personnel Serv (GSRP)                   | 20,733              | 75,309              | 55,747                 | (54,576)                        | 19,562                   |
| Technology                                    | 267,823             | 463,152             | 529,899                | (195,329)                       | (66,747)                 |
| Auditorium                                    | 6,873               | 4,324               | 1,837                  | 2,549                           | 2,487                    |
| Athletics                                     | 303,327             | 302,178             | 302,757                | 1,149                           | (579)                    |
| <b>Total supporting services</b>              | <b>6,011,565</b>    | <b>7,564,400</b>    | <b>6,953,109</b>       | <b>(1,552,835)</b>              | <b>611,291</b>           |
| Debt service                                  | 2,800               | 2,800               | 2,698                  | -                               | 102                      |
| Other   | 40,446              | 134,054             | 78,678                 | (93,608)                        | 55,376                   |
| <b>Total expenditures</b>                     | <b>14,920,499</b>   | <b>16,934,759</b>   | <b>15,838,972</b>      | <b>(2,014,260)</b>              | <b>1,095,787</b>         |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>(1,644,797)</b>  | <b>297,753</b>      | <b>1,023,340</b>       | <b>1,942,550</b>                | <b>725,587</b>           |
| Fund balance, beginning of year               | 4,668,730           | 4,668,730           | 4,668,730              | -                               | -                        |
| Fund balance, end of year                     | <u>\$ 3,023,933</u> | <u>\$ 4,966,483</u> | <u>\$ 5,692,070</u>    | <u>\$ 1,942,550</u>             | <u>\$ 725,587</u>        |

**Benzie County Central School District**

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

Michigan Public School Employees Retirement Plan

|   | <u>9/30/2021</u> | <u>9/30/2020</u> | <u>9/30/2019</u> | <u>9/30/2018</u> | <u>9/30/2017</u> | <u>9/30/2016</u> | <u>9/30/2015</u> | <u>9/30/2014</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| School District's proportion of collective net pension liability                                  | 0.07365111 %     | 0.07486012 %     | 0.07596172 %     | 0.08025912 %     | 0.08334516 %     | 0.08310744 %     | 0.08535000 %     | 0.08318000 %     |
| School District's proportionate share of net pension liability                                    | \$ 17,437,204    | \$ 25,715,266    | \$ 25,155,968    | \$ 24,127,340    | \$ 21,598,274    | \$ 20,734,626    | \$ 20,846,995    | \$ 18,321,117    |
| School District's covered payroll   | \$ 6,609,687     | \$ 6,691,335     | \$ 6,590,576     | \$ 6,631,147     | \$ 7,051,556     | \$ 6,960,120     | \$ 7,173,152     | \$ 7,140,891     |
| School District's proportionate share of net pension liability as a percentage of covered payroll | 263.81 %         | 384.31 %         | 381.70 %         | 363.85 %         | 306.29 %         | 297.91 %         | 290.63 %         | 256.57 %         |
| Plan fiduciary net position as a percentage of total pension liability                            | 72.60 %          | 59.72 %          | 60.31 %          | 62.36 %          | 64.21 %          | 63.27 %          | 63.17 %          | 66.20 %          |

SCHEDULE OF SCHOOL DISTRICT'S DEFINED BENEFIT PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

|  | <u>6/30/2022</u> | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Statutorily required contributions               | \$ 1,286,083     | \$ 1,231,664     | \$ 1,219,937     | \$ 1,153,275     | \$ 1,177,400     | \$ 1,355,838     | \$ 1,646,531     | \$ 1,554,496     |
| School District contributions made to the Plan   | <u>1,286,083</u> | <u>1,231,664</u> | <u>1,219,937</u> | <u>1,153,275</u> | <u>1,177,400</u> | <u>1,355,838</u> | <u>1,646,531</u> | <u>1,554,496</u> |
| Contributions deficiency (excess)                | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| School District's covered payroll                | \$ 6,732,723     | \$ 6,578,105     | \$ 6,728,027     | \$ 6,614,964     | \$ 6,679,991     | \$ 7,293,509     | \$ 7,069,113     | \$ 7,149,585     |
| Contributions as a percentage of covered payroll | 19.10 %          | 18.72 %          | 18.13 %          | 17.43 %          | 17.63 %          | 18.59 %          | 23.29 %          | 21.74 %          |

## Benzie County Central School District

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

#### Michigan Public School Employees Retirement Plan

|  | <u>9/30/2021</u> | <u>9/30/2020</u> | <u>9/30/2019</u> | <u>9/30/2018</u> | <u>9/30/2017</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| School District's proportion of net OPEB liability   | 0.07264023 %     | 0.07514745 %     | 0.07522719 %     | 0.07775395 %     | 0.08345211 %     |
| School District's proportionate share of net OPEB liability                                    | \$ 1,108,764     | \$ 4,025,850     | \$ 5,399,618     | \$ 6,180,624     | \$ 7,390,077     |
| School District's covered payroll (OPEB)   | \$ 6,609,687     | \$ 6,691,335     | \$ 6,590,576     | \$ 6,631,147     | \$ 7,051,556     |
| School District's proportionate share of net OPEB liability as a percentage of covered payroll | 16.77 %          | 60.17 %          | 81.93 %          | 93.21 %          | 104.80 %         |
| Plan fiduciary net position as a percentage of total OPEB liability                            | 87.33 %          | 59.44 %          | 48.46 %          | 42.95 %          | 36.39 %          |

### SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS

#### Michigan Public School Employees Retirement Plan

|  | <u>6/30/2022</u> | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Statutorily required OPEB contributions                              | \$ 516,622       | \$ 520,994       | \$ 532,578       | \$ 523,635       | \$ 484,084       |
| OPEB contributions in relation to statutorily required contributions | <u>516,622</u>   | <u>520,994</u>   | <u>532,578</u>   | <u>523,635</u>   | <u>484,084</u>   |
| Contributions deficiency (excess)                                    | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| School District's covered payroll (OPEB)                             | \$ 6,732,723     | \$ 6,578,105     | \$ 6,728,027     | \$ 6,614,964     | \$ 6,679,991     |
| OPEB contributions as a percentage of covered payroll                | 7.67 %           | 7.92 %           | 7.92 %           | 7.92 %           | 7.25 %           |

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



## Benzie County Central School District

### COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2022

|   | Special Revenue Fund |                    |                     | Debt<br>Service Fund         | Capital<br>Project Fund         | Total<br>Non-Major<br>Governmental |
|---|----------------------|--------------------|---------------------|------------------------------|---------------------------------|------------------------------------|
|   | Food Service         | Early<br>Childhood | Student<br>Activity | 2021<br>Debt Service<br>Fund | 2017 Capital<br>Sinking<br>Fund |                                    |
| <b>ASSETS</b>                                     |                      |                    |                     |                              |                                 |                                    |
| Cash and cash equivalents                         | \$ 469,210           | \$ 136,884         | \$ 170,449          | \$ 888,707                   | \$ 1,352,110                    | \$ 3,017,360                       |
| Prepaid expenditures                              | 75,000               | -                  | -                   | -                            | -                               | 75,000                             |
| Other receivables                                 | 4,859                | 2,019              | 490                 | -                            | -                               | 7,368                              |
| Intergovernmental receivables                     | 40,332               | -                  | -                   | -                            | -                               | 40,332                             |
| Due from other funds                              | 2,455                | 87,786             | -                   | -                            | 176,513                         | 266,754                            |
| Inventory   | 16,388               | -                  | -                   | -                            | -                               | 16,388                             |
|   | <u>608,244</u>       | <u>226,689</u>     | <u>170,939</u>      | <u>888,707</u>               | <u>1,528,623</u>                | <u>3,423,202</u>                   |
| Total assets                                      | <u>\$ 608,244</u>    | <u>\$ 226,689</u>  | <u>\$ 170,939</u>   | <u>\$ 888,707</u>            | <u>\$ 1,528,623</u>             | <u>\$ 3,423,202</u>                |
| <b>LIABILITIES AND FUND BALANCES</b>              |                      |                    |                     |                              |                                 |                                    |
| <b>LIABILITIES</b>                                |                      |                    |                     |                              |                                 |                                    |
| Accounts payable                                  | \$ 32,008            | \$ 7,050           | \$ 3,245            | \$ -                         | \$ 7,924                        | \$ 50,227                          |
| Unearned revenue                                  | 9,350                | -                  | -                   | -                            | -                               | 9,350                              |
| Due to other funds                                | 88,140               | 77,529             | 11,107              | -                            | -                               | 176,776                            |
|   | <u>129,498</u>       | <u>84,579</u>      | <u>14,352</u>       | <u>-</u>                     | <u>7,924</u>                    | <u>236,353</u>                     |
| Total liabilities                                 | <u>129,498</u>       | <u>84,579</u>      | <u>14,352</u>       | <u>-</u>                     | <u>7,924</u>                    | <u>236,353</u>                     |
| <b>FUND BALANCES</b>                              |                      |                    |                     |                              |                                 |                                    |
| Nonspendable - inventory and prepaid expenditures | 91,388               | -                  | -                   | -                            | -                               | 91,388                             |
| Restricted  |                      |                    |                     |                              |                                 |                                    |
| Debt service                                      | -                    | -                  | -                   | 888,707                      | -                               | 888,707                            |
| Capital projects                                  | -                    | -                  | -                   | -                            | 1,520,699                       | 1,520,699                          |
| Food Service                                      | 387,358              | -                  | -                   | -                            | -                               | 387,358                            |
| Committed - student activities                    | -                    | -                  | 156,587             | -                            | -                               | 156,587                            |
| Assigned - early childhood                        | -                    | 142,110            | -                   | -                            | -                               | 142,110                            |
|   | <u>478,746</u>       | <u>142,110</u>     | <u>156,587</u>      | <u>888,707</u>               | <u>1,520,699</u>                | <u>3,186,849</u>                   |
| Total fund balances                               | <u>478,746</u>       | <u>142,110</u>     | <u>156,587</u>      | <u>888,707</u>               | <u>1,520,699</u>                | <u>3,186,849</u>                   |
| Total liabilities and fund balances               | <u>\$ 608,244</u>    | <u>\$ 226,689</u>  | <u>\$ 170,939</u>   | <u>\$ 888,707</u>            | <u>\$ 1,528,623</u>             | <u>\$ 3,423,202</u>                |

## Benzie County Central School District

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

Year Ended June 30, 2022

|   | Special Revenue Fund |                    |                     | Debt<br>Service Funds        | Capital<br>Project Fund         | Total<br>Non-Major<br>Governmental |
|---|----------------------|--------------------|---------------------|------------------------------|---------------------------------|------------------------------------|
|   | Food Service         | Early<br>Childhood | Student<br>Activity | 2021<br>Debt Service<br>Fund | 2017 Capital<br>Sinking<br>Fund |                                    |
| Revenues  |                      |                    |                     |                              |                                 |                                    |
| Property taxes  | \$ -                 | \$ -               | \$ -                | \$ 1,845,617                 | \$ 815,845                      | \$ 2,661,462                       |
| Interest  | 895                  | 106                | -                   | -                            | 2,643                           | 3,644                              |
| State revenues  | 29,634               | 29,469             | -                   | -                            | -                               | 59,103                             |
| Federal revenues  | 907,705              | -                  | -                   | -                            | -                               | 907,705                            |
| Other   | 74,903               | 173,273            | 171,902             | 690                          | -                               | 420,768                            |
|   | <u>1,013,137</u>     | <u>202,848</u>     | <u>171,902</u>      | <u>1,846,307</u>             | <u>818,488</u>                  | <u>4,052,682</u>                   |
| Total revenues  |                      |                    |                     |                              |                                 |                                    |
| Expenditures  |                      |                    |                     |                              |                                 |                                    |
| Food service  | 796,309              | -                  | -                   | -                            | -                               | 796,309                            |
| Early childhood   | -                    | 105,409            | -                   | -                            | -                               | 105,409                            |
| Student activities  | -                    | -                  | 142,067             | -                            | -                               | 142,067                            |
| Debt service  |                      |                    |                     |                              |                                 |                                    |
| Principal   | -                    | -                  | -                   | 325,000                      | -                               | 325,000                            |
| Interest  | -                    | -                  | -                   | 1,546,356                    | -                               | 1,546,356                          |
| Capital outlay  | 219,303              | 915                | -                   | -                            | 705,672                         | 925,890                            |
|   | <u>1,015,612</u>     | <u>106,324</u>     | <u>142,067</u>      | <u>1,871,356</u>             | <u>705,672</u>                  | <u>3,841,031</u>                   |
| Total expenditures  |                      |                    |                     |                              |                                 |                                    |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>                                 | (2,475)              | 96,524             | 29,835              | (25,049)                     | 112,816                         | 211,651                            |
| Other financing sources   |                      |                    |                     |                              |                                 |                                    |
| Operating transfers in  | -                    | -                  | -                   | 913,756                      | -                               | 913,756                            |
|   | <u>-</u>             | <u>-</u>           | <u>-</u>            | <u>913,756</u>               | <u>-</u>                        | <u>913,756</u>                     |
| <b>REVENUES OVER (UNDER) EXPENDITURES AND<br/>OTHER FINANCING SOURCES</b> | (2,475)              | 96,524             | 29,835              | 888,707                      | 112,816                         | 1,125,407                          |
| Fund balance, beginning of year   | 481,221              | 45,586             | 126,752             | -                            | 1,407,883                       | 2,061,442                          |
|   | <u>481,221</u>       | <u>45,586</u>      | <u>126,752</u>      | <u>-</u>                     | <u>1,407,883</u>                | <u>2,061,442</u>                   |
| Fund balance, end of year   | \$ 478,746           | \$ 142,110         | \$ 156,587          | \$ 888,707                   | \$ 1,520,699                    | \$ 3,186,849                       |
|   | <u>\$ 478,746</u>    | <u>\$ 142,110</u>  | <u>\$ 156,587</u>   | <u>\$ 888,707</u>            | <u>\$ 1,520,699</u>             | <u>\$ 3,186,849</u>                |

## **FEDERAL PROGRAMS**

## Benzie County Central School District

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

| Federal Grantor/<br>Pass-Through Grantor<br>Program Title            | Assistance<br>Listing<br>Number | Original<br>Approved<br>Award/Grant<br>Amount | Accrued Revenue<br>June 30, 2021 | Prior Year<br>Expenditures | Current Year<br>Receipts | Current Year<br>Expenditures | Accrued Revenue<br>June 30, 2022 |
|--|---------------------------------|---|----------------------------------|----------------------------|--------------------------|------------------------------|----------------------------------|
| U.S. Department of Education   |                                 |   |                                  |                            |                          |                              |                                  |
| Passed through Michigan Department of Education                      |                                 |   |                                  |                            |                          |                              |                                  |
| Title I Part A Cluster Grants - Educationally Deprived               |                                 |   |                                  |                            |                          |                              |                                  |
| 201530-2021  | 84.010                          | \$ 254,361                                    | \$ 70,985                        | \$ 254,361                 | \$ 65,155                | \$ -                         | \$ 5,830                         |
| 201530-2122  | 84.010                          | -   | -                                | -                          | -                        | 289,829                      | 289,829                          |
| Total Title I Part A Cluster - Educationally Deprived                |                                 | <u>254,361</u>                                | <u>70,985</u>                    | <u>254,361</u>             | <u>65,155</u>            | <u>289,829</u>               | <u>295,659</u>                   |
| Title IIA - Improving Teacher Quality                                |                                 |   |                                  |                            |                          |                              |                                  |
| 210520-2021  | 84.367                          | 51,704  | 2,411                            | 51,704                     | 2,411                    | -                            | -                                |
| 210520-2122  | 84.367                          | -   | -                                | -                          | -                        | 60,134                       | 60,134                           |
| Title IV Part A Student Support and Academic Enrichment              |                                 |   |                                  |                            |                          |                              |                                  |
| 220750-2122  | 84.424                          | 18,598  | -                                | 18,598                     | (235)                    | 18,363                       | 18,598                           |
| Education Stabilization Funds  |                                 |   |                                  |                            |                          |                              |                                  |
| Governor's Emergency Education Relief (GEER) Funds                   |                                 |   |                                  |                            |                          |                              |                                  |
| 201200-2122  | 84.425C                         | -   | -                                | -                          | 12,250                   | 22,094                       | 9,844                            |
| Elementary and Secondary School Emergency Relief (ESSER) Funds       |                                 |   |                                  |                            |                          |                              |                                  |
| 203710-1920  | 84.425D                         | -   | 119,901                          | 119,901                    | 119,901                  | -                            | -                                |
| 213712-2021  | 84.425D                         | -   | -                                | -                          | 641,502                  | 930,609                      | 289,107                          |
| Total Elementary and Secondary School Emergency Relief (ESSER) Funds |                                 | <u>-</u>                                      | <u>119,901</u>                   | <u>119,901</u>             | <u>761,403</u>           | <u>930,609</u>               | <u>289,107</u>                   |
| Total Education Stabilization Funds                                  |                                 | <u>-</u>                                      | <u>119,901</u>                   | <u>119,901</u>             | <u>773,653</u>           | <u>952,703</u>               | <u>298,951</u>                   |
| Total U.S. Department of Education                                   |                                 | <u>324,663</u>                                | <u>193,297</u>                   | <u>444,564</u>             | <u>840,984</u>           | <u>1,321,029</u>             | <u>673,342</u>                   |

## Benzie County Central School District

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

| Federal Grantor/<br>Pass-Through Grantor<br>Program Title  | Assistance<br>Listing<br>Number | Original Approved<br>Award/Grant<br>Amount | Accrued Revenue<br>June 30, 2021 | Prior Year<br>Expenditures | Current Year<br>Receipts | Current Year<br>Expenditures | Accrued Revenue<br>June 30, 2022 |
|--|---------------------------------|--|----------------------------------|----------------------------|--------------------------|------------------------------|----------------------------------|
| U.S. Department of Agriculture<br>Passed through Michigan Department of Education<br>Child Nutrition Cluster<br>School Breakfast Program<br>221971 | 10.553                          | \$ -                                       | \$ -                             | \$ -                       | \$ 222,713               | \$ 222,713                   | \$ -                             |
| National School Lunch Program<br>221961  | 10.555                          | -  | -                                | -                          | 526,419                  | 549,562                      | 23,143                           |
| USDA Commodities - Entitlement   | 10.555                          | -  | -                                | -                          | 49,165                   | 49,165                       | -                                |
| Total National School Lunch/Commodities  |                                 | -  | -                                | -                          | 575,584                  | 598,727                      | 23,143                           |
| 1900 - Summer Food Service Program<br>210904   | 10.559                          | -  | -                                | -                          | 60,955                   | 64,978                       | 4,023                            |
| Total Child Nutrition Cluster/Commodities  |                                 | -  | -                                | -                          | 859,252                  | 886,418                      | 27,166                           |
| Child and Adult Care Food Program meals  | 10.558                          | -  | -                                | -                          | 15,411                   | 15,690                       | 279                              |
| Child Nutrition Discretionary Grants Limited Availability  | 10.579                          | -  | -                                | -                          | -                        | 4,983                        | 4,983                            |
| State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants   | 10.649                          | -  | -                                | -                          | 614                      | 614                          | -                                |
| Total U.S. Department of Agriculture   |                                 | -  | -                                | -                          | 875,277                  | 907,705                      | 32,428                           |
| U.S. Department of Health and Human Services<br>Passed through Northwest Education Services<br>Medicaid - School Based Services                    | 93.778                          | -  | -                                | -                          | 5,322                    | 5,322                        | -                                |
| Total Federal Financial Assistance   |                                 | \$ 324,663                                 | \$ 193,297                       | \$ 444,564                 | \$ 1,721,583             | \$ 2,234,056                 | \$ 705,770                       |

# Benzie County Central School District

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

- Note 1** The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- Note 2** Management has reported that expenditures in this Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.
- Note 3** The financial reports, including claims for advances and reimbursements and amounts claimed or used for matching are timely, complete, accurate and contain information that is supported by the books and records from which the basic financial statements have been prepared. Grant receipts reported on the Schedule of Expenditures of Federal Awards, as passed through the Michigan Department of Education, reconcile to the Grant Section Auditor's Report (R7120). Unreconciled differences have been disclosed to the auditor.
- Note 4** The School District did not use the 10% de-minimis indirect cost rate allowed under the Uniform Guidance.
- Note 5** A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards with Federal sources reported on the financial statements are as follows:

|  |                            |
|--|----------------------------|
| Federal expenditures per Schedule of Expenditures of<br>Federal Awards | \$ 2,234,056               |
| Coronavirus Relief Fund - Child Care Relief Fund                       | <u>128,726</u>             |
| Federal sources per financial statements                               | <u><u>\$ 2,362,782</u></u> |



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

Board of Education  
 Benzie County Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ***Benzie County Central School District*** (the "School District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 22, 2022.

***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs No. 2022-001, 2022-002, and 2022-003, that we consider to be material weaknesses.

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***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance, described in the accompanying Schedule of Findings and Questioned Costs No. 2021-004, that are required to be reported under *Government Auditing Standards*.

***School District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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

*Dennis, Gartland & Niergarth*

Certified Public Accountants  
Traverse City, Michigan

December 22, 2022





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

Board of Education  
 Benzie County Central School District

**Report on Compliance for Each Major Federal Program**

***Opinion of Each Major Federal Program***

We have audited *Benzie County Central School District* (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major Federal programs for the year ended June 30, 2022. The School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

***Report on Internal Control Over Compliance***

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

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

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

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

*Dennis, Gartland & Niergarth*

Certified Public Accountants  
Traverse City, Michigan

December 22, 2022

# Benzie County Central School District

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

### PRIOR YEAR

See current year findings in section 2 for a repeat of prior year findings No. 2021-001 and 2021-002. There is no change in their status.

#### **Finding Number 2021-003**

#### **Bank Reconciliations Not Prepared Timely**

#### **Material Weakness in Internal Controls over Financial Reporting**

**Criteria:** Control procedures include reconciliation and comparison of assets with records. The preparation of bank reconciliations should be completed in a timely manner.

**Condition:** The School District did not reconcile the cash accounts in a timely manner. Bank reconciliations were performed for the entire fiscal year after year-end.

**Cause:** There was significant turnover in the accounting department and staff were not being trained to perform bank reconciliations. Additionally, the School District switched accounting software and activity was not properly updated in the system.

**Effect:** As a result of this condition, transactions were not recorded on a timely basis and transactions were not recorded in the proper accounting period during the fiscal year. Upon completion of the bank reconciliations, and recording of additional transactions, there was an immaterial difference between the cash recorded and the bank reconciliation.

**Management's Response:** The School District hired a new Director of Finance in April 2021 who completed the bank account reconciliations for the year and updated the new accounting software with the unrecorded transactions. Investigation into the cause of the uncorrected remaining District-wide difference will be made. The practice moving forward will be to have each month and account reconciled within thirty days of the statement date to ensure proper accounting has taken place. Each reconciliation will be signed off on by the Superintendent each month.

**Current Status:** Bank reconciliations are being prepared and reviewed within thirty days of the statement date.

**Finding Number 2021-004**

**Late Audit Package Submission to the Michigan Department of Education  
Material Instance of Noncompliance in Internal Controls over Financial Reporting**

**Criteria:** The State of Michigan requires public school districts to file a copy of their audit reporting package and management letter with the Michigan Department of Education by November 1.

**Condition:** The School District did not file the audit package with the Michigan Department of Education by November 1, 2021.

**Cause:** The audit was not complete and available for submission to the State by November 1 because the School District was working on account reconciliations after year-end and was not ready for the audit to begin in the planned timeframe needed to complete the audit timely.

**Effect:** As a result of this condition, 100% of state aid funding will be withheld until the audit package is filed with the Michigan Department of Education.

**Management's Response:** The School District will reconcile each bank account within thirty days of the statement date to ensure proper accounting. The Director of Finance and other business office staff will use the template created to properly reconcile in a timely manner. Each month the Superintendent will sign off on the completed reconciliation. It is the goal of the business office to have these accounts reconciled by July 20th at the end of each fiscal year to make sure the audit can be completed timely and the audit package can be filed with the State by the November 1<sup>st</sup> deadline.

**Current Status:** Bank reconciliations are being prepared and reviewed within thirty days of the statement date. However, due to the software configuration issues as noted in finding No. 2022-003, the audit was delayed and the School District did not file its audit package by November 1, 2022 (repeat finding No. 2022-004).

**CURRENT YEAR**

***Section 1 - Summary of Auditors' Results***

1. The auditor's report represents an unmodified opinion on the financial statements of Benzie County Central School District.
2. There were three material weaknesses in internal control reported as a result of the audit of the financial statements. See Section 2 - Findings in Accordance with *Governmental Auditing Standards*.
3. There was one instance of noncompliance material to the financial statements, which is required to be reported in accordance with Government Auditing Standards, that was disclosed during the audit. See Section 2 - Findings in Accordance with *Governmental Auditing Standards*.
4. There were no significant deficiencies disclosed that were related to a major program.
5. The auditor's report on compliance for major Federal award programs expresses an unmodified opinion on all major Federal award programs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The School District's major program was the Education Stabilization Fund:  
Elementary and Secondary School Emergency Relief Fund (ESSER),  
Assistance listing No. 84.425D  
Governor's Emergency Education Relief Fund (GEER)  
Assistance listing No. 84.425C
8. The dollar threshold for distinguishing between Type A and Type B programs was \$750,000.
9. Benzie County Central School District did not qualify as a low risk auditee.

***Section 2 - Findings in Accordance with Governmental Auditing Standards***

**Finding Number 2022-001 (repeat)**

**Preparation of Financial Statements**

**Material Weakness in Internal Controls over Financial Reporting**

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

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

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

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

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

*Section 2 - Findings in Accordance with Governmental Auditing Standards - Continued*

**Finding Number 2022-002 (repeat)**

**Segregation of Duties**

**Material Weakness in Internal Controls over Financial Reporting**

**Criteria:** Adequate segregation of duties for the School District is necessary to minimize the likelihood that fraud or errors could occur and not be detected.

**Condition:** The School District has not achieved a complete segregation of duties among employees who have access to assets and those with accounting responsibilities.

**Cause:** The small size of the business office staff creates an inherent lack of segregation of duties.

**Effect:** As a result of this condition, the School District lacks a thorough segregation of duties and is exposed to the risk of material misstatement of its financial statements.

**Management's Response:** The School District has evaluated the manner in which they segregate duties and has implemented measures such as Board review of all expenditures and Board President signature of all checks written over \$5,000. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.

**Finding Number 2022-003**

**Accounting Software not Configured Correctly**

**Material Weakness in Internal Controls over Financial Reporting**

**Criteria:** Control procedures include reconciliation and comparison of assets with records.

**Condition:** The School District did not have its software configured correctly. The software had a configuration option to reverse certain accrual entries that was not removed and procedures to perform manual reversal journal entries were still being performed causing a duplication of reversal entries in subsequent months after accounts were reconciled and in agreement to source documentation.

**Cause:** The School District switched accounting software and the configuration of how the software treated reversals and other entries was not set up correctly.

**Effect:** As a result of this condition, balances in the general ledger did not agree to source documentation and required adjustments to correct the duplicated entries. Upon completion of the updated reconciliations and adjustments, there were immaterial differences between the cash recorded and the bank reconciliation for the food service fund, and between source documentation and accrual accounts.

**Management's Response:** The School District is in the process of moving to a different accounting software. Additionally, investigation into the cause of the accrual account and cash balance differences will be made.

***Section 2 - Findings in Accordance with Governmental Auditing Standards - Continued***

**Finding Number 2022-004** (repeat)

**Late Audit Package Submission to the Michigan Department of Education  
Material Instance of Noncompliance in Internal Controls over Financial Reporting**

**Criteria:** The State of Michigan requires public school districts to file a copy of their audit reporting package and management letter with the Michigan Department of Education by November 1.

**Condition:** The School District did not file the audit package with the Michigan Department of Education by November 1, 2022, the initial due date, or by the following due date of December 1, 2022.

**Cause:** The audit was not complete and available for submission to the State by November 1 or by December 1 because the School District was working on account reconciliations after year-end due to the software issues and was not ready for the audit to begin in the planned timeframe needed to complete the audit timely.

**Effect:** As a result of this condition, 100% of state aid funding will be withheld until the audit package is filed with the Michigan Department of Education.

**Management's Response:** The School District is in the process of moving to a different accounting software. During fiscal year 2022, the School District began a process of timely account reconciliations but was unaware that account balances were changing subsequent to month-end close. The Director of Finance has updated the current software's configuration to avoid duplicate entries. Until the new accounting software is in place, the Director of Finance will review subsequent months balances to ensure no changes have been made by the accounting software to make sure the audit can be completed timely and the audit package can be filed with the State by the November 1<sup>st</sup> deadline.



*Section 3 - Findings and Questioned Costs in Accordance with the Uniform Guidance*

**Finding Number 2022-005**

**Education Stabilization Fund: Elementary and Secondary School Emergency Relief (ESSER) Assistance Listing Number 84.425D**

**Allowable Costs/Cost Principles – Documentation of Employee Time and Effort  
Immaterial Noncompliance**

**Criteria:** Per Federal regulations 2 CFR section 200.430(i)(1)(vii), the School District must maintain time and effort distribution records for an employee who works in part on the consolidated administrative cost objective and in part on a federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources.

**Condition:** The School District did not maintain time and effort distribution records for employees who were partially funded with ESSER Federal funds.

**Cause:** Oversight.

**Effect:** Time and effort reports were not completed.

**Questioned Costs:** None.

**Recommendation:** Time and effort reports should be completed throughout the year listing the employees name, position or job title, and percentage of time spent on each Federal award and signed by the employee's supervisor.

**Management's Response and Corrective Actions:** The Director of Finance and Superintendent completed time and effort reports for the ESSER funds expended for fiscal year ending June 30, 2022 and will continue to complete time and effort reports going forward.

**Person Responsible for Corrective Action:** Justin Weston, Director of Finance, and Amiee Erfourth, Superintendent

**Completion Date:** November 21, 2022.