
Warren Woods Public Schools

**Financial Report
with Supplemental Information
June 30, 2022**

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Independent Auditor's Report

To the Board of Education
Warren Woods Public Schools

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying 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 Warren Woods Public Schools as of June 30, 2022 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 12 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 GAAS 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.

To the Board of Education
Warren Woods Public Schools

In performing an audit in accordance with GAAS 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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.

Supplemental Information

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

To the Board of Education
Warren Woods Public Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2022 on our consideration of Warren Woods Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Warren Woods Public Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

August 31, 2022

This section of the annual financial report for Warren Woods Public Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2022. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Warren Woods Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund, Special Education Center Program Fund, and the 2020 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Budgetary Comparison Schedule - Special Education Center Program Fund

Schedule of the School District's Proportionate Share of the Net Pension Liability

Schedule of the School District's Pension Contributions

Schedule of the School District's Proportionate Share of the Net OPEB Liability

Schedule of the School District's OPEB Contributions

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, food services, enrichment, student stores, debt retirement, and internal services. Property taxes, unrestricted state aid, and state and federal grants finance most of these activities.

Reporting the School District's Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
Assets		
Current and other assets	\$ 29.1	\$ 36.6
Capital assets	56.4	52.5
Total assets	85.5	89.1
Deferred Outflows of Resources	17.1	23.7
Liabilities		
Current liabilities	7.4	8.8
Noncurrent liabilities	49.7	54.2
Net pension liability	56.5	81.8
Net OPEB liability	3.7	12.8
Total liabilities	117.3	157.6
Deferred Inflows of Resources	36.1	12.9
Net Position (Deficit)		
Net investment in capital assets	13.9	13.8
Restricted	0.9	0.9
Unrestricted	(65.6)	(72.4)
Total net position (deficit)	\$ (50.8)	\$ (57.7)

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(50.8) million at June 30, 2022. Net investment in capital assets, totaling \$13.9 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position, \$(65.6) million, was unrestricted and represents the accumulated results of all past years' operations.

The \$(65.6) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements and to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2022 and 2021.

	Governmental Activities	
	2022	2021
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.1	\$ 0.6
Operating grants	18.3	15.4
General revenue:		
Taxes	8.5	8.1
State aid not restricted to specific purposes	26.3	25.7
Other	0.6	0.3
Total revenue	<u>54.8</u>	<u>50.1</u>
Expenses		
Instruction	22.9	26.9
Support services	16.0	16.5
Athletics	0.5	0.6
Food services	1.7	1.3
Child care	0.8	0.7
Debt service	1.6	1.8
Depreciation expense (unallocated)	4.4	3.4
Total expenses	<u>47.9</u>	<u>51.2</u>
Change in Net Position	6.9	(1.1)
Net Position (Deficit) - Beginning of year	<u>(57.7)</u>	<u>(56.6)</u>
Net Position (Deficit) - End of year	<u><u>\$ (50.8)</u></u>	<u><u>\$ (57.7)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$47.9 million. Certain activities were partially funded from those who benefited from the programs (\$1.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$18.3 million). We paid for the remaining public benefit portion of our governmental activities with \$8.5 million in taxes, \$26.3 million in state foundation allowance, and other revenue (i.e., interest and general entitlements). The School District experienced an increase in net position of \$6.9 million. A key reason for the change in net position was the decrease in the net pension liability.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Due to the impact of the Headlee Amendment, the School District's property tax levy has been reduced from 18 mills on all nonhomestead property, which the School District is required to levy in order to receive the full state foundation allowance, to 16.9660 mills for a loss of approximately \$227,000. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The expense portion of the table shows the financial support of each function required during the school year. Being in the business of educating children, the largest expense incurred is in instruction, which totals approximately 47.9 percent, or \$22.9 million, of the total expenses. Support services account for approximately 33.3 percent, or \$16.0 million of the total expense, which includes items such as transportation, maintenance, security, supervision, counseling, and a variety of similar services that support the School District's mission of educating children.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$21.9 million, which is a decrease of \$6.1 million from last year. The primary reason for the decrease was the spending of the 2020 and 2018 bonds.

In the General Fund, our principal operating fund, the fund balance increased by approximately \$305,000 to \$10.8 million. The fund balance remained relatively stable compared to the prior year. This amount helps to provide cash flow for needs during the months when aid is not received from the State.

Special revenue funds include the Special Education Center Program, Food Services, Child Care Program, Bookstore Activities, and Student Activities funds. The combined special revenue funds fund balance increased by \$1.035 million. The Food Service Fund accounted for \$848,062 of the increase; however, the School District is in the midst of renovating the serving line at Warren Woods Middle School to reinvest a portion of the Food Service funds back into the program.

Combined, the fund balance of our debt service funds decreased by approximately \$44,000. Warren Woods Public Schools determines the millage rates annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are restricted since they can only be used to pay debt service obligations.

Combined, the fund balance of our capital project funds decreased by \$7.4 million. The 2018 and 2020 bond funds decreased by \$8.05 million as we continued construction and other voter-approved projects. The building and site fund increased by \$606,592, as the School District allocated funds, using operating sources and one-time revenue, to preserve and maintain its facilities for the future and to prepare for unexpected capital and physical plant needs.

Budgetary Highlights

By state law, the Warren Wood Public Schools Board of Education must approve a budget effective July 1 of each year.

The original budget is prepared to meet our obligation in good faith. Several major variables are not fully known at the time of budget preparation; consequently, over the course of the year, the School District revises its budget as items become known and the School District attempts to deal with unexpected changes in revenue and expenditures. Amendments to the original adopted budget are passed to reflect changes in information and circumstances. During the 2021-2022 fiscal year, the budget was amended in January 2022 and June 2022.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

The Board of Education amended the budgeted revenue to account for changes in enrollment, as well as changes in state funding, as the State of Michigan did not finalize its 2021-2022 budget until after the School District was required to adopt its original 2021-2022 budget in June 2021. In total, budgeted revenue was increased by \$3.2 million from the original to final budget. One of the main assumptions impacting the School District's budget is the revenue received from the State of Michigan through the per pupil foundation allowance. The School District's original budget assumed a foundation grant increase of \$95 per pupil to \$8,354. The State of Michigan provided an actual foundation grant increase for the 2021-2022 fiscal year of \$441 per pupil, as it included a taxpayer equity formula increase for hold harmless districts in the state. The district also assumed that it would see a decline in enrollment by 136 students as part of its original budget adoption and subsequently amended the budget during the year to reflect an actual decline in enrollment of 117 students to 3,107. Other budget amendments were made throughout the year to account for changes in state categorical grant changes as well as federal funding changes as the School District found itself continuing to navigate the COVID-19 pandemic throughout the 2021-2022 fiscal year and utilized ESSER II funds, Coronavirus Relief Funds, and Governor's Emergency Education Relief funds to help provide supplemental services to students.

When comparing the final amended budget to actual for revenue, the final actual revenue was approximately \$104,000 under the projected amount (0.25 percent). The actual revenue was under budget mainly due to state and federal grant awards not being spent in the time frame anticipated. For all grant-funded programs, an equal amount of expense was recognized, thus having no impact on the bottom line. Certain grants are funded on a 15-month cycle but must be budgeted into the School District's fiscal year for reporting purposes; this cycle routinely creates carryover.

In looking at the School District's expenses, the budget was amended to address increases as a result of newly negotiated collective bargaining agreements with the School District's teachers, bus drivers, custodians, special education paraprofessionals, and clerical staff. Nine additional teaching positions were added utilizing grant funds to keep class sizes small and provide other supplemental services to students and staff. The budget was also increased throughout the year to reflect inflationary increases in many of its operating expenses and utility bills as skyrocketing gas prices and pandemic supply chain issues increased the cost of most commodities utilized by the School District. Overall, budgeted expenses were increased by approximately \$866,000 from the original budget.

Final expenditures were approximately \$572,000 under projected amounts (1.4 percent). A portion of the difference, approximately \$148,000, was due to state and federal grant awards that were not spent in the time frame anticipated. In general, the rest of the net underspending is consistently distributed amongst all budgetary functions. There were no significant variances between the final budget and actual amounts.

A schedule showing the School District's original and final budget amounts compared with actual revenue and expenditures is provided in required supplemental information of these financial statements. The School District's actual General Fund fund balance increased by approximately \$305,000 to \$10.8 million.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022 and 2021, the School District had \$56.4 million and \$52.5 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This total represents a net increase (including additions, disposals, and depreciation) of approximately \$(3.9) million from 2021 to 2022.

	<u>2022</u>	<u>2021</u>
Land	\$ 4,000	\$ 4,000
Construction in progress	903,285	3,698,293
Buildings and improvements	46,316,934	41,878,857
Furniture and equipment	5,086,136	4,001,281
Buses and other vehicles	478,320	437,485
Land improvements	3,571,471	2,484,026
Total capital assets - Net of accumulated depreciation	<u><u>\$ 56,360,146</u></u>	<u><u>\$ 52,503,942</u></u>

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

This year's additions were mainly related to the School District's 2018 and 2020 bond issues, including a new roof on Briarwood Elementary and the Maintenance Complex, a new parent pick-up and drop-off parking lot at Westwood Elementary, replacement of the Warren Woods Middle School Auditorium sound and lighting, new secure entryways at Warren Woods-Tower and Enterprise High Schools, all new elementary and middle school classroom technology, and school busses. As of June 30, 2022, \$903,000 of construction in progress is related to several major capital projects that will continue into the 2022-2023 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$43.6 million in bonds outstanding versus \$47.5 million in the previous year. The decrease was a result of paying down outstanding debt in accordance with scheduled repayments.

The School District's general obligation bond rating is AA. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. However, the School District does not have any outstanding unqualified general obligation debt that is subject to this limitation.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Warren Woods Public Schools continues to have strong General Fund reserves; the total available fund balance is 24.05 percent of 2022 expenditures, including the Special Education Center Program Fund. The 2022-2023 fiscal year budget anticipates the use of \$1.07 million from the fund balance. Continued attention will be focused on strong expenditure controls and close monitoring of revenue changes based on state funding and student count to help reduce this deficit spending.

The following factors will affect the School District in the future and were considered in preparing the School District's budget for fiscal year 2022-2023:

At the time of adoption, the State Aid Act for 2022-2023 still had not been approved, so the Board of Education and administration had to make many assumptions to set the original budget for fiscal year 2022-2023. The Board of Education and administration took into account the budget proposals from the governor, Senate, and House, as well as the information provided from the May Consensus Revenue Estimating Conference (CREC) to develop the assumptions included in the original budget, including an increase to the per pupil foundation allowance by \$400 per pupil to \$9,100. Also included is an additional rollback of the 18 mill nonhomestead tax levy to 16.1889 mills for a total reduction of the foundation allowance of approximately \$478,000 in 2022-2023. A total pupil count of 3,039, which reflects an additional loss of 68 students for the 2022-2023 school year, has also been built into the original budget adoption.

The retirement rate was projected to remain stable at 28.23 percent, and the School District will be required to pay 16.65 percent for the unfunded actuarial accrued liability (UAAL) as of October 1, 2022. Expenditures for 2022-2023 are estimated to be \$43.0 million and include adjusted teaching positions due to enrollment, caseloads, and student schedules. The School District is currently bargaining with its teachers, and these numbers do not reflect any changes that may come as a result of that bargaining. The wage increases from a two-year contract bargained with all three of the School District's support groups prior to the start of the 2021-2022 school year have been included in the original budget adoption. Additional cost pressure continues to come from increases in the required public employer contributions to medical benefit plans for its employees, increases in utility rates, and increased costs to maintain the School District's facilities.

The original budget also includes additional grant-funded teacher and instructional coaching positions that will be utilized during the 2022-2023 and 2023-2024 school years to help close the achievement gaps created by the COVID-19 pandemic. A full listing of all the assumptions used in setting the original 2022-2023 budget can be found on the School District's website.

In a declining enrollment environment, the School District will continue to face unprecedented challenges to contain operational costs, with the added complexity of reducing the School District's programs to match the size of the student body. Prudent fiscal responsibility and cost containment remain critical to the School District's ability to effectively operate in this volatile and challenging economic climate. Opportunities to enhance revenue and control costs will be monitored on an ongoing basis. The School District will also continue to take on the responsibility of managing an influx of federal dollars as the federal government provides relief funds to help ease the impact of COVID-19. To balance the budget, an estimated \$1.07 million contribution from fund balance will be used as a strategy to further reduce the impact on student programs and services.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact:

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Warren Woods Public Schools

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 13,807,941
Receivables:	
Interest receivable	16,769
Accounts receivable	206,439
Due from other governments	7,138,027
Inventories	36,501
Prepaid costs and other assets	150,359
Restricted assets (Note 4)	7,747,513
Capital assets - Net (Note 6)	<u>56,360,146</u>
Total assets	85,463,695
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	529,479
Deferred pension costs (Note 10)	11,912,552
Deferred OPEB costs (Note 10)	<u>4,706,544</u>
Total deferred outflows of resources	17,148,575
Liabilities	
Accounts payable	372,776
Due to other governmental units	814,678
Accrued liabilities and other	4,482,852
Unearned revenue (Note 5)	1,767,905
Noncurrent liabilities:	
Due within one year (Note 8)	4,754,714
Due in more than one year (Note 8)	45,041,003
Net pension liability (Note 10)	56,458,536
Net OPEB liability (Note 10)	<u>3,660,260</u>
Total liabilities	117,352,724
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the report date	3,791,342
Deferred pension cost reductions (Note 10)	18,562,057
Deferred OPEB cost reductions (Note 10)	<u>13,735,321</u>
Total deferred inflows of resources	<u>36,088,720</u>
Net Position (Deficit)	
Net investment in capital assets	13,915,686
Restricted:	
Debt	311,305
Capital projects	574,323
Unrestricted	<u>(65,630,488)</u>
Total net position (deficit)	<u><u>\$ (50,829,174)</u></u>

Warren Woods Public Schools

Statement of Activities

Year Ended June 30, 2022

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 22,945,166	\$ 65,975	\$ 10,201,805	\$ (12,677,386)
Support services	15,990,981	-	5,493,279	(10,497,702)
Bookstores	34,719	43,092	-	8,373
Athletics	570,717	43,197	-	(527,520)
Food services	1,666,025	118,734	2,600,512	1,053,221
Child care	755,882	816,199	-	60,317
Interest	1,657,488	-	-	(1,657,488)
Other debt costs	3,649	-	-	(3,649)
Depreciation expense (unallocated)	4,359,864	-	-	(4,359,864)
Total primary government	\$ 47,984,491	\$ 1,087,197	\$ 18,295,596	(28,601,698)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				3,370,151
Property taxes, levied for debt service				5,171,422
State aid not restricted to specific purposes				26,349,532
Federal grants and contributions not restricted to specific purposes				17,969
Interest and investment earnings				47,831
Penalties, interest, and other taxes				11,245
Gain on sale of capital assets				40,132
Other:				
Student activity revenue				381,726
Miscellaneous income				97,464
Total general revenue				35,487,472
Change in Net Position				6,885,774
Net Position (Deficit) - Beginning of year				(57,714,948)
Net Position (Deficit) - End of year				\$ (50,829,174)

Warren Woods Public Schools

Governmental Funds Balance Sheet

June 30, 2022

	General Fund	Special Education Center Program Fund	2020 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 10,802,489	\$ -	\$ -	\$ 3,005,452	\$ 13,807,941
Receivables:					
Interest receivable	7,709	-	9,060	-	16,769
Accounts receivable	2,114	-	-	204,325	206,439
Due from other governments	7,138,027	-	-	-	7,138,027
Due from other funds (Note 7)	27,994	435,899	-	1,019,095	1,482,988
Inventories	-	-	-	36,501	36,501
Prepaid costs and other assets	150,359	-	-	-	150,359
Restricted assets (Note 4)	-	-	6,785,982	961,531	7,747,513
Total assets	\$ 18,128,692	\$ 435,899	\$ 6,795,042	\$ 5,226,904	\$ 30,586,537
Liabilities					
Accounts payable	\$ 216,591	\$ -	\$ 154,961	\$ 1,224	\$ 372,776
Due to other governmental units	814,615	-	-	63	814,678
Due to other funds (Note 7)	1,417,005	15,899	-	50,084	1,482,988
Accrued liabilities and other	4,215,776	-	-	-	4,215,776
Unearned revenue (Note 5)	678,301	420,000	-	669,604	1,767,905
Total liabilities	7,342,288	435,899	154,961	720,975	8,654,123
Fund Balances					
Nonspendable:					
Inventories	-	-	-	36,501	36,501
Prepaid costs	150,359	-	-	-	150,359
Restricted:					
Debt service	-	-	-	578,381	578,381
Capital projects (unspent bond proceeds)	-	-	6,640,081	381,926	7,022,007
Food service	-	-	-	1,758,977	1,758,977
Committed:					
Compensated absences	374,094	-	-	-	374,094
Child care	-	-	-	193,628	193,628
Student activities	-	-	-	424,276	424,276
Bookstore	-	-	-	27,307	27,307
Tax tribunal cases	100,000	-	-	-	100,000
Assigned:					
Capital replacements	-	-	-	1,104,933	1,104,933
Working capital	3,664,893	-	-	-	3,664,893
Subsequent year budget shortfall	1,067,312	-	-	-	1,067,312
Unassigned	5,429,746	-	-	-	5,429,746
Total fund balances	10,786,404	-	6,640,081	4,505,929	21,932,414
Total liabilities and fund balances	\$ 18,128,692	\$ 435,899	\$ 6,795,042	\$ 5,226,904	\$ 30,586,537

Warren Woods Public Schools

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 21,932,414
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	114,572,706
Accumulated depreciation	<u>(58,212,560)</u>
Net capital assets used in governmental activities	56,360,146
Deferred inflows and outflows related to bond refundings are not reported in the funds	529,479
Bonds payable obligations and related premiums are not due and payable in the current period and are not reported in the funds	(49,421,623)
Accrued interest is not due and payable in the current period and is not reported in the funds	(267,076)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(374,094)
Net pension liability and related deferred inflows and outflows	(63,108,041)
Net OPEB liability and related deferred inflows and outflows	(12,689,037)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(3,791,342)</u>
Net Position (Deficit) of Governmental Activities	<u>\$ (50,829,174)</u>

Warren Woods Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	Special Education Center Program Fund	2020 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 3,602,097	\$ -	\$ 18,622	\$ 6,546,316	\$ 10,167,035
State sources	31,504,223	1,671,954	-	235,544	33,411,721
Federal sources	3,389,834	-	-	2,948,003	6,337,837
Interdistrict and other sources	2,722,967	2,881,021	-	-	5,603,988
Total revenue	41,219,121	4,552,975	18,622	9,729,863	55,520,581
Expenditures					
Current:					
Instruction	24,137,531	2,017,210	-	-	26,154,741
Support services	15,438,655	1,920,443	544	375,027	17,734,669
Bookstores	-	-	-	34,719	34,719
Athletics	650,445	-	-	-	650,445
Food services	-	-	-	1,740,133	1,740,133
Child care	-	-	-	879,257	879,257
Debt service:					
Principal	-	-	-	3,900,000	3,900,000
Interest	-	-	-	2,119,508	2,119,508
Other debt costs	-	-	-	3,649	3,649
Capital outlay	209,399	-	7,264,911	1,031,457	8,505,767
Total expenditures	40,436,030	3,937,653	7,265,455	10,083,750	61,722,888
Excess of Revenue Over (Under) Expenditures	783,091	615,322	(7,246,833)	(353,887)	(6,202,307)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	54,837	54,837
Transfers in	750,322	-	-	1,303,087	2,053,409
Transfers out	(1,228,087)	(615,322)	-	(210,000)	(2,053,409)
Total other financing (uses) sources	(477,765)	(615,322)	-	1,147,924	54,837
Net Change in Fund Balances	305,326	-	(7,246,833)	794,037	(6,147,470)
Fund Balances - Beginning of year	10,481,078	-	13,886,914	3,711,892	28,079,884
Fund Balances - End of year	\$ 10,786,404	\$ -	\$ 6,640,081	\$ 4,505,929	\$ 21,932,414

Warren Woods Public Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ (6,147,470)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	8,230,773
Depreciation expense	(4,359,864)
Net book value of assets disposed of	(14,705)
Revenue in support of pension contributions made subsequent to the measurement date	(690,449)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	4,337,286
Interest expense is recognized in the government-wide statements as it accrues	24,734
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	5,505,469
Change in Net Position of Governmental Activities	<u>\$ 6,885,774</u>

June 30, 2022

Note 1 - Nature of Business

Warren Woods Public Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Special Education Center Program Fund is used to record special education millage revenue from the county, state revenue related to special education, and disbursements associated with special education center programs administered by the School District on behalf of the county.
- The 2020 Capital Projects Fund is used to record the 2020 bond proceeds and expenditures related to voter-approved capital improvements.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Interfund Activity

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

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Note 2 - Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in external investment pools, which are valued at amortized cost.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories accounted for using the purchase method are recorded as expenditures when purchased and include all inventories of governmental funds other than commodities within the Food Services Fund. Inventories accounted for using the consumption method are recorded as expenditures when consumed rather than when purchased and include commodities within the Food Services Fund. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital projects funds required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments

Capital Assets

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Note 2 - Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	20 to 50
Furniture and equipment	5 to 10
Buses and other vehicles	5 to 10
Land improvements	20

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District reports deferred outflows related to deferred charges on refundings and deferred pension and OPEB plan costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the Board of Education or superintendent to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The fund balance policy prescribes the minimum fund balance as 15 percent of expenditures in the General Fund. This is deemed by the School District to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year. If the total fund balance of the General Fund falls below the goal, it shall be recovered at a rate of at least 1 percent each year.

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered to be delinquent on March 1 of the following year. At this time, penalties and interest are assessed, and the total obligation is added to the county tax rolls. All property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Note 2 - Significant Accounting Policies (Continued)

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension 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. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including August 31, 2022, which is the date the financial statements were available to be issued.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund except that transfers in and transfers out are reported net, and capital outlay expenditures are reported in other functional expenditure categories. Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for all special revenue funds except that expenditures are budgeted by object rather than functional categories. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District amended the General Fund budgeted amounts during the year to reflect changes in funding from state and federal sources.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

The 2020 Capital Projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects funds, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

The School District has designated four financial institutions for the deposits and investments of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for one-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

Note 4 - Deposits and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had bank deposits totaling \$3,682,357 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. At June 30, 2022, all of the School District's investments are in the Michigan Liquid Asset Fund and, therefore, are the only investment type subject to concentration of credit risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

At year end, the credit quality ratings of investment pools are as follows:

Security and Rating Agency	Rating	Carrying Value
MILAF Investment Pool - Cash Management Class (S&P)	AAAm	\$ 136,608
MILAF Investment Pool - Max Class (S&P)	AAAm	6,091,294
MILAF Investment Pool - Term Series (Kroll)	AAAkf	12,000,000
Total		<u>\$ 18,227,902</u>

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares or interests in the Michigan Liquid Asset Fund (MILAF) Term Series, whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

June 30, 2022

Note 4 - Deposits and Investments (Continued)

As of June 30, 2022, the fair value of the School District's investments in the MILAF Term Series was \$12,000,000. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date upon initiation of the investment. Early redemptions are permitted, but an early redemption fee would apply.

The investment pool includes investments that the School District does not control. The investment pool primarily invests in high-quality money market instruments, including certificates of deposit, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2022, the School District had no unavailable revenue and \$1,767,905 of unearned revenue, primarily related to categorical aid and federal assistance payments received prior to meeting all eligibility requirements.

Note 6 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,000
Construction in progress	3,698,293	(3,698,293)	903,285	-	903,285
Subtotal	3,702,293	(3,698,293)	903,285	-	907,285
Capital assets being depreciated:					
Buildings and improvements	82,625,379	3,640,888	4,094,021	-	90,360,288
Furniture and equipment	13,050,632	57,405	1,759,728	(618,432)	14,249,333
Buses and other vehicles	1,688,644	-	147,843	(149,782)	1,686,705
Land improvements	6,043,199	-	1,325,896	-	7,369,095
Subtotal	103,407,854	3,698,293	7,327,488	(768,214)	113,665,421
Accumulated depreciation:					
Buildings and improvements	40,746,522	-	3,296,832	-	44,043,354
Furniture and equipment	9,049,351	-	717,573	(603,727)	9,163,197
Buses and other vehicles	1,251,159	-	107,008	(149,782)	1,208,385
Land improvements	3,559,173	-	238,451	-	3,797,624
Subtotal	54,606,205	-	4,359,864	(753,509)	58,212,560
Net capital assets being depreciated	48,801,649	3,698,293	2,967,624	(14,705)	55,452,861
Net governmental activities capital assets	\$ 52,503,942	\$ -	\$ 3,870,909	\$ (14,705)	\$ 56,360,146

Depreciation expense was not charged to activities, as the School District considers its assets to impact multiple activities and allocation to be impractical.

June 30, 2022

Note 6 - Capital Assets (Continued)

Construction Commitments

The School District has active construction projects at year end relating to the 2020 bond issue and the Food Service Fund. At year end, the School District's commitments with contractors are as follows:

	<u>Remaining Commitment</u>
Food Service Fund	\$ 470,893
2020 Capital Projects Fund	<u>468,493</u>
Total	<u>\$ 939,386</u>

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Fund Due From</u>	<u>Fund Due To</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Education Center Program Fund</u>	<u>Nonmajor Funds</u>	
General Fund	\$ -	\$ 420,529	\$ 996,476	\$ 1,417,005
Special Education Center Program Fund	-	-	15,899	15,899
Nonmajor governmental funds	27,994	15,370	6,720	50,084
Total	<u>\$ 27,994</u>	<u>\$ 435,899</u>	<u>\$ 1,019,095</u>	<u>\$ 1,482,988</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are composed of the following:

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Nonmajor funds	\$ 1,228,087
Nonmajor funds	General Fund	135,000
Special Education Center Program Fund	General Fund	615,322
Nonmajor funds	Nonmajor funds	<u>75,000</u>
	Total	<u>\$ 2,053,409</u>

Transfers from the General Fund provided funding for debt service payments on nonvoted bonds. Funds from the Food Services Fund and Special Education Center Program Fund were transferred to the General Fund to cover excess costs related to operations of the funds for the purposes for which they were created. Funds were also transferred from the General Fund to the Building and Site Fund for capital improvements.

June 30, 2022

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:					
General obligations	\$ 47,490,000	\$ -	\$ (3,900,000)	\$ 43,590,000	\$ 4,125,000
Unamortized bond premiums	6,423,928	-	(592,305)	5,831,623	592,305
Total bonds payable - Other debt	53,913,928	-	(4,492,305)	49,421,623	4,717,305
Compensated absences	368,592	5,502	-	374,094	37,409
Total governmental activities long-term debt	<u>\$ 54,282,520</u>	<u>\$ 5,502</u>	<u>\$ (4,492,305)</u>	<u>\$ 49,795,717</u>	<u>\$ 4,754,714</u>

The School District had deferred outflows of \$529,479 related to deferred charges on bond refundings at June 30, 2022.

General Obligation Bonds and Contracts

The School District issues general obligation bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. All of the School District's bonds are qualified and, thus, fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2022 are as follows:

	Remaining Annual Installments	Interest Rate(s) (Percent)	Maturing May 1	Outstanding
\$2,000,000 general obligation limited tax bonds (2012)	\$185,000	2.25 - 3.60*	2024	\$ 370,000
\$7,515,000 general obligation limited tax bonds (2014)	\$810,000 - \$840,000	2.00 - 3.00	2025	2,485,000
\$19,595,000 general obligation unlimited tax and refunding bonds (2015)	\$2,070,000 - \$2,385,000	3.00 - 5.00	2026	8,895,000
\$2,945,000 general obligation unlimited tax and refunding bonds (2016)	\$510,000	2.05	2023	510,000
\$17,675,000 general obligation unlimited tax bonds (2018)	\$300,000 - \$1,860,000	3.00 - 5.00	2037	16,675,000
\$15,115,000 general obligation unlimited tax bonds (2020)	\$550,000 - \$900,000	4.00	2040	14,655,000
Total qualified bonds				<u>\$ 43,590,000</u>

*Partially subsidized

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated from the funds from which the individual employee's salary is paid.

Note 8 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above general obligation bonds are as follows:

Years Ending June 30	Governmental Activities - Other Debt		
	Principal	Interest*	Total
2023	\$ 4,125,000	\$ 1,949,706	\$ 6,074,706
2024	3,800,000	1,789,450	5,589,450
2025	3,875,000	1,631,500	5,506,500
2026	3,115,000	1,462,200	4,577,200
2027	2,035,000	1,310,750	3,345,750
2028-2032	11,085,000	5,100,250	16,185,250
2033-2037	12,880,000	2,375,250	15,255,250
2038-2040	2,675,000	215,000	2,890,000
Total	\$ 43,590,000	\$ 15,834,106	\$ 59,424,106

*Interest presented net of maximum potential interest subsidy

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

June 30, 2022

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

Note 10 - Michigan Public School Employees' Retirement System (Continued)

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2022 were \$8,573,217, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$3,791,342 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2022.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2022 were \$2,008,523, which includes the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2022, the School District reported a liability of \$56,458,536 for its proportionate share of the 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 as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the School District's proportion was 0.24 percent.

Net OPEB Liability

At June 30, 2022, the School District reported a liability of \$3,660,260 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 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 as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the School District's proportion was 0.24 percent.

June 30, 2022

Note 10 - Michigan Public School Employees' Retirement System (Continued)

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

For 2022, the School District recognized pension expense of \$6,442,928, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 874,567	\$ (332,474)
Changes in assumptions	3,558,944	-
Net difference between projected and actual earnings on pension plan investments	-	(18,151,238)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	251,250	(78,345)
The School District's contributions to the plan subsequent to the measurement date	7,227,791	-
	<u>7,227,791</u>	<u>-</u>
Total	<u>\$ 11,912,552</u>	<u>\$ (18,562,057)</u>

The \$3,791,342 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2023	\$ (1,498,203)
2024	(3,115,848)
2025	(4,367,935)
2026	(4,895,310)
Total	<u>\$ (13,877,296)</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2022, the School District recognized OPEB recovery of \$1,986,683.

June 30, 2022

Note 10 - Michigan Public School Employees' Retirement System (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (10,447,952)
Changes in assumptions	3,059,796	(457,860)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,758,804)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	257,505	(70,705)
Employer contributions to the plan subsequent to the measurement date	1,389,243	-
Total	<u>\$ 4,706,544</u>	<u>\$ (13,735,321)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2023	\$ (2,699,182)
2024	(2,472,356)
2025	(2,281,325)
2026	(2,146,292)
2027	(723,890)
Thereafter	(94,975)
Total	<u>\$ (10,418,020)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2021 are based on the results of an actuarial valuation as of September 30, 2020 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75% for 2019 and 3.50% for 2018
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1 graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

June 30, 2022

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Significant assumption changes since the prior measurement date, September 30, 2020, for the OPEB plan include an increase in the health care cost trend rate of 0.75 percentage points for members under 65 and a reduction from 7.0 percent to 5.25 percent for members over 65. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2020.

Significant assumption changes since the measurement date, September 30, 2021, for the pension and OPEB plan include a reduction of both plans' discount rates to 6.0 percent. The change increases the total plan's net pension liability by approximately \$8.1 billion and the total plan's net OPEB liability by approximately \$1.1 billion.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2021 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.40 %
Private equity pools	16.00	9.10
International equity pools	15.00	7.50
Fixed-income pools	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.40
Absolute return pools	9.00	2.60
Real return/opportunistic pools	12.50	6.10
Short-term investment pools	2.00	(1.30)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.0 percent.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 80,720,395	\$ 56,458,536	\$ 36,343,864

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 6,801,424	\$ 3,660,260	\$ 994,534

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the School District	\$ 890,878	\$ 3,660,260	\$ 6,776,148

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2022, the School District reported a payable of \$1,398,004 and \$286,519 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

Note 11 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2022, the School District's property tax revenue was reduced by \$361,926 under these programs.

June 30, 2022

Note 11 - Tax Abatements (Continued)

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the school aid formula. The School District received \$240,745 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from debt service millages. There are no abatements made by the School District.

Required Supplemental Information

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual
Revenue			
Local sources	\$ 3,296,318	\$ 3,583,138	\$ 3,602,097
State sources	29,019,769	31,537,040	31,504,223
Federal sources	3,176,621	3,478,750	3,389,834
Interdistrict and other sources	2,621,999	2,724,393	2,722,967
Total revenue	38,114,707	41,323,321	41,219,121
Expenditures			
Current:			
Instruction:			
Basic programs	18,935,045	19,008,742	18,877,598
Added needs	5,087,029	5,221,794	5,117,927
Adult and continuing education	323,985	318,929	311,934
Total instruction	24,346,059	24,549,465	24,307,459
Support services:			
Pupil	3,452,350	3,966,691	3,920,058
Instructional staff	1,872,903	1,913,971	1,880,586
General administration	525,626	523,408	493,313
School administration	2,167,537	2,176,211	2,142,175
Business services	633,803	540,660	530,590
Operations and maintenance	4,115,651	4,251,180	4,189,870
Transportation	696,116	707,142	681,376
Central support services	1,231,598	1,267,370	1,200,964
Other support services	446,181	456,148	437,009
Athletics	654,409	655,627	652,630
Total expenditures	40,142,233	41,007,873	40,436,030
Excess of Revenue (Under) Over Expenditures	(2,027,526)	315,448	783,091
Other Financing Uses - Transfers out - Net	(99,648)	(455,166)	(477,765)
Net Change in Fund Balance	(2,127,174)	(139,718)	305,326
Fund Balance - Beginning of year	10,481,078	10,481,078	10,481,078
Fund Balance - End of year	\$ 8,353,904	\$ 10,341,360	\$ 10,786,404

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule Special Education Center Program Fund

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenue			
State sources	\$ 1,671,882	\$ 1,671,944	\$ 1,671,954
Interdistrict and other sources	2,963,000	2,953,021	2,881,021
Total revenue	4,634,882	4,624,965	4,552,975
Expenditures			
Current:			
Salaries and wages	2,419,389	2,346,600	2,312,315
Employee benefits	1,668,328	1,589,171	1,569,570
Purchased services	26,050	14,900	8,123
Purchased services (contracted)	-	-	3,571
Supplies and materials	37,410	46,372	44,074
Total expenditures	4,151,177	3,997,043	3,937,653
Excess of Revenue Over Expenditures	483,705	627,922	615,322
Other Financing Uses - Transfers out	(483,705)	(627,922)	(615,322)
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Warren Woods Public Schools

Required Supplemental Information Schedule of the School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Eight Plan Years							
	Plan Years Ended September 30							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.23847 %	0.23804 %	0.23761 %	0.23681 %	0.23615 %	0.23436 %	0.24120 %	0.24020 %
School District's proportionate share of the net pension liability	\$ 56,458,536	\$ 81,770,192	\$ 78,687,811	\$ 71,190,104	\$ 61,196,766	\$ 58,471,626	\$ 58,919,322	\$ 52,908,682
School District's covered payroll	\$ 21,715,637	\$ 21,127,349	\$ 20,900,984	\$ 20,167,109	\$ 19,956,386	\$ 19,589,242	\$ 20,159,703	\$ 20,435,231
School District's proportionate share of the net pension liability as a percentage of its covered payroll	259.99 %	387.03 %	376.48 %	353.00 %	306.65 %	298.49 %	292.26 %	258.91 %
Plan fiduciary net position as a percentage of total pension liability	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

Warren Woods Public Schools

Required Supplemental Information Schedule of the School District's Pension Contributions Michigan Public School Employees' Retirement System

	Last Eight Fiscal Years Years Ended June 30							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 8,352,636	\$ 7,267,591	\$ 6,642,991	\$ 6,262,975	\$ 5,920,103	\$ 5,724,529	\$ 5,567,852	\$ 4,414,076
Contributions in relation to the statutorily required contribution	<u>8,352,636</u>	<u>7,267,591</u>	<u>6,642,991</u>	<u>6,262,975</u>	<u>5,920,103</u>	<u>5,724,529</u>	<u>5,567,852</u>	<u>4,414,076</u>
Contribution Excess (Deficiency)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
School District's Covered Payroll	\$ 22,969,725	\$ 21,369,242	\$ 21,158,048	\$ 20,715,730	\$ 20,214,242	\$ 20,713,745	\$ 19,807,674	\$ 20,167,108
Contributions as a Percentage of Covered Payroll	36.36 %	34.01 %	31.40 %	30.23 %	29.29 %	27.64 %	28.11 %	21.89 %

Warren Woods Public Schools

Required Supplemental Information Schedule of the School District's Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

	Last Five Plan Years				
	Plan Years Ended September 30				
	2021	2020	2019	2018	2017
School District's proportion of the net OPEB liability	0.23890 %	0.23811 %	0.23917 %	0.23682 %	0.23596 %
School District's proportionate share of the net OPEB liability	\$ 3,660,260	\$ 12,756,446	\$ 17,167,273	\$ 18,824,608	\$ 20,895,606
School District's covered payroll	\$ 21,715,637	\$ 21,127,349	\$ 20,900,984	\$ 20,167,109	\$ 19,956,386
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.86 %	60.38 %	82.14 %	93.34 %	104.71 %
Plan fiduciary net position as a percentage of total OPEB liability	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Warren Woods Public Schools

Required Supplemental Information Schedule of the School District's OPEB Contributions Michigan Public School Employees' Retirement System

	Last Five Fiscal Years Years Ended June 30				
	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 1,871,849	\$ 1,778,295	\$ 1,700,176	\$ 1,620,985	\$ 1,449,484
Contributions in relation to the statutorily required contribution	1,871,849	1,778,295	1,700,176	1,620,985	1,449,484
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 22,969,725	\$ 21,369,242	\$ 20,158,048	\$ 20,715,730	\$ 20,214,242
Contributions as a Percentage of Covered Payroll	8.15 %	8.32 %	8.43 %	7.82 %	7.17 %

June 30, 2022

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

Warren Woods Public Schools

	Special Revenue Funds				Debt Service Funds
	Bookstore Activities	Food Services	Child Care Program	Student Activities	2012 Issue
Assets					
Cash and investments	\$ 21,395	\$ 1,447,088	\$ -	\$ 432,036	\$ -
Receivables - Accounts receivable	-	174,137	30,188	-	-
Due from other funds	5,912	256,672	756,511	-	-
Inventories	2,465	34,036	-	-	-
Restricted assets - Restricted cash and cash equivalents	-	-	-	-	-
Total assets	\$ 29,772	\$ 1,911,933	\$ 786,699	\$ 432,036	\$ -
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	-	63	-	-	-
Due to other funds	-	40,819	1,505	7,760	-
Unearned revenue	-	78,038	591,566	-	-
Total liabilities	-	118,920	593,071	7,760	-
Fund Balances					
Nonspendable - Inventories	2,465	34,036	-	-	-
Restricted:					
Debt service	-	-	-	-	-
Capital projects (unspent bond proceeds)	-	-	-	-	-
Food service	-	1,758,977	-	-	-
Committed:					
Child care	-	-	193,628	-	-
Student activities	-	-	-	424,276	-
Bookstore	27,307	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	29,772	1,793,013	193,628	424,276	-
Total liabilities and fund balances	\$ 29,772	\$ 1,911,933	\$ 786,699	\$ 432,036	\$ -

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2022

Debt Service Funds					Capital Projects Funds		
2014 Refunding	2015 Refunding	2016 Refunding	2018 Issue	2020 Debt	Building and Site	2018 Capital Projects	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,104,933	\$ -	\$ 3,005,452
-	-	-	-	-	-	-	204,325
-	-	-	-	-	-	-	1,019,095
-	-	-	-	-	-	-	36,501
97,449	264,406	9	97,994	118,523	-	383,150	961,531
\$ 97,449	\$ 264,406	\$ 9	\$ 97,994	\$ 118,523	\$ 1,104,933	\$ 383,150	\$ 5,226,904
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,224	\$ 1,224
-	-	-	-	-	-	-	63
-	-	-	-	-	-	-	50,084
-	-	-	-	-	-	-	669,604
-	-	-	-	-	-	1,224	720,975
-	-	-	-	-	-	-	36,501
97,449	264,406	9	97,994	118,523	-	-	578,381
-	-	-	-	-	-	381,926	381,926
-	-	-	-	-	-	-	1,758,977
-	-	-	-	-	-	-	193,628
-	-	-	-	-	-	-	424,276
-	-	-	-	-	-	-	27,307
-	-	-	-	-	1,104,933	-	1,104,933
97,449	264,406	9	97,994	118,523	1,104,933	381,926	4,505,929
\$ 97,449	\$ 264,406	\$ 9	\$ 97,994	\$ 118,523	\$ 1,104,933	\$ 383,150	\$ 5,226,904

Warren Woods Public Schools

	Special Revenue Funds				Debt Service Funds
	Bookstore Activities	Food Services	Child Care Program	Student Activities	2012 Issue
Revenue					
Local sources	\$ 43,135	\$ 125,576	\$ 816,199	\$ 381,726	\$ 1
State sources	-	97,463	58,546	-	-
Federal sources	-	2,650,124	279,910	-	17,969
Total revenue	43,135	2,873,163	1,154,655	381,726	17,970
Expenditures					
Current:					
Support services	-	675	-	373,898	-
Bookstores	34,719	-	-	-	-
Food services	-	1,740,133	-	-	-
Child care	-	-	879,257	-	-
Debt service:					
Principal	-	-	-	-	185,000
Interest	-	-	-	-	19,055
Other debt costs	-	-	-	-	650
Capital outlay	-	174,293	4,547	-	-
Total expenditures	34,719	1,915,101	883,804	373,898	204,705
Excess of Revenue Over (Under) Expenditures	8,416	958,062	270,851	7,828	(186,735)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	186,735
Transfers out	-	(110,000)	(100,000)	-	-
Total other financing (uses) sources	-	(110,000)	(100,000)	-	186,735
Net Change in Fund Balances	8,416	848,062	170,851	7,828	-
Fund Balances - Beginning of year	21,356	944,951	22,777	416,448	-
Fund Balances - End of year	\$ 29,772	\$ 1,793,013	\$ 193,628	\$ 424,276	\$ -

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2022

Debt Service Funds					Capital Projects Funds		Total
2014 Refunding	2015 Refunding	2016 Refunding	2018 Issue	2020 Debt	Building and Site	2018 Capital Projects	
\$ 874,529	\$ 2,478,721	\$ 7	\$ 776,648	\$ 1,048,826	\$ -	\$ 948	\$ 6,546,316
13,411	37,998	-	11,921	16,205	-	-	235,544
-	-	-	-	-	-	-	2,948,003
887,940	2,516,719	7	788,569	1,065,031	-	948	9,729,863
-	-	-	-	-	-	454	375,027
-	-	-	-	-	-	-	34,719
-	-	-	-	-	-	-	1,740,133
-	-	-	-	-	-	-	879,257
790,000	1,970,000	495,000	-	460,000	-	-	3,900,000
98,250	543,250	20,603	833,750	604,600	-	-	2,119,508
500	750	749	500	500	-	-	3,649
-	-	-	-	-	48,245	804,372	1,031,457
888,750	2,514,000	516,352	834,250	1,065,100	48,245	804,826	10,083,750
(810)	2,719	(516,345)	(45,681)	(69)	(48,245)	(803,878)	(353,887)
-	-	-	-	-	54,837	-	54,837
-	-	516,352	-	-	600,000	-	1,303,087
-	-	-	-	-	-	-	(210,000)
-	-	516,352	-	-	654,837	-	1,147,924
(810)	2,719	7	(45,681)	(69)	606,592	(803,878)	794,037
98,259	261,687	2	143,675	118,592	498,341	1,185,804	3,711,892
\$ 97,449	\$ 264,406	\$ 9	\$ 97,994	\$ 118,523	\$ 1,104,933	\$ 381,926	\$ 4,505,929

Warren Woods Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2022

Years Ending June 30	2012 Issue (Nonvoted) Principal	2014 Refunding (Voted) Principal	2015 Refunding (Voted) Principal	2016 Refunding (Nonvoted) Principal	2018 Capital Projects (Voted) Principal	2020 Capital Projects (Voted) Principal	Total
2023	\$ 185,000	\$ 810,000	\$ 2,070,000	\$ 510,000	\$ -	\$ 550,000	\$ 4,125,000
2024	185,000	835,000	2,170,000	-	-	610,000	3,800,000
2025	-	840,000	2,270,000	-	-	765,000	3,875,000
2026	-	-	2,385,000	-	300,000	430,000	3,115,000
2027	-	-	-	-	1,160,000	875,000	2,035,000
2028	-	-	-	-	1,215,000	875,000	2,090,000
2029	-	-	-	-	1,275,000	875,000	2,150,000
2030	-	-	-	-	1,340,000	875,000	2,215,000
2031	-	-	-	-	1,405,000	875,000	2,280,000
2032	-	-	-	-	1,475,000	875,000	2,350,000
2033	-	-	-	-	1,545,000	875,000	2,420,000
2034	-	-	-	-	1,620,000	875,000	2,495,000
2035	-	-	-	-	1,700,000	875,000	2,575,000
2036	-	-	-	-	1,780,000	875,000	2,655,000
2037	-	-	-	-	1,860,000	875,000	2,735,000
2038	-	-	-	-	-	875,000	875,000
2039	-	-	-	-	-	900,000	900,000
2040	-	-	-	-	-	900,000	900,000
Total remaining payments	<u>\$ 370,000</u>	<u>\$ 2,485,000</u>	<u>\$ 8,895,000</u>	<u>\$ 510,000</u>	<u>\$ 16,675,000</u>	<u>\$ 14,655,000</u>	<u>\$ 43,590,000</u>
Interest rate	2.25%-3.60%	2.00%-3.00%	3.00%-5.00%	2.05%	3.00%-5.00%	4.00%	
Original issue	<u>\$ 2,000,000</u>	<u>\$ 7,515,000</u>	<u>\$ 19,595,000</u>	<u>\$ 2,945,000</u>	<u>\$ 17,675,000</u>	<u>\$ 15,115,000</u>	

Principal payments for the bond issues are due on May 1 of each year.

Interest payments for the bond issues are due on May 1 and November 1 of each year.