

BELLAIRE PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2022



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

CERTIFIED PUBLIC ACCOUNTANTS
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BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

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July 29, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Bellaire Public Schools
Bellaire, Michigan

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bellaire Public Schools 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 these 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 Bellaire Public Schools' ability to

continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 Bellaire Public Schools' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bellaire Public Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv-x and 38-43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2022, on our consideration of Bellaire Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bellaire Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bellaire Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

This section of Bellaire Public School’s (“the District”) annual report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2022. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District’s assets, deferred inflows and outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents the information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, payments to other governmental agencies, food service activities, welfare activities, interest on long-term debt, other transactions, and unallocated depreciation.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bellaire Public Schools, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government’s near-term financing requirements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds - Proprietary funds, specifically the internal service fund type, accounts for compensated absences and early retirement incentives that the District has charged to its fund accordingly.

C. Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

D. Other Information

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

E. Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30.

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets	\$ 2,897,022	\$ 2,705,298
Non Current Assets		
Capital Assets	20,066,311	20,051,508
Less Accumulated Depreciation	(7,775,752)	(7,572,686)
Total Non Current Assets	<u>12,290,559</u>	<u>12,478,822</u>
Total Assets	<u>15,187,581</u>	<u>15,184,120</u>
Deferred Outflows of Resources	<u>2,340,962</u>	<u>2,727,084</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>
Liabilities		
Current Liabilities	1,397,029	1,301,010
Non Current Liabilities	14,276,830	17,715,156
Total Liabilities	15,673,859	19,016,166
Deferred Inflows of Resources	3,326,790	1,262,120
Net Position		
Net Investment in Capital Assets	2,782,856	2,298,236
Restricted for Specific Purposes	125,890	153,886
Unrestricted (Deficit)	(4,380,852)	(4,819,204)
Total Net Position (Deficit)	\$ (1,472,106)	\$ (2,367,082)

F. Analysis of Financial Position

During the fiscal year ended June 30, 2022, the District's net position increased by \$894,976. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

Districts are required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2022, \$416,282 was recorded for depreciation expense.

2. Pension and Other Postemployment Benefits (OPEB) Expense

GASB 68 and GASB 75 require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension and OPEB liabilities increase or decrease in any given year. For the year ended June 30, 2022, the District reported an increase in net position related to GASB 68 and GASB 75.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

G. Results of Operations

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

	2022	2021
General Revenues		
Property Taxes	\$ 4,978,113	\$ 4,934,589
Investment Earnings	5,688	2,958
State Sources	70,626	43,728
Other	57,493	47,439
Gain on Sale of Capital Assets	0	4,500
Total General Revenues	<u>5,111,920</u>	<u>5,033,214</u>
Program Revenues		
Charges for Services	32,123	22,741
Operating Grants	1,345,120	1,065,379
Capital Grants	0	101,843
Total Program Revenues	<u>1,377,243</u>	<u>1,189,963</u>
Total Revenues	<u>6,489,163</u>	<u>6,223,177</u>
Expenses		
Instruction	2,358,813	2,671,721
Supporting Services	2,131,498	2,043,707
Community Services	0	66
Payments to Other Governmental Agencies	5,379	7,159
Food Service	305,420	217,007
Interest on Long-Term Debt	376,795	406,045
Other Transactions	0	2,070
Unallocated Depreciation	416,282	409,142
Total Expenses	<u>5,594,187</u>	<u>5,756,917</u>
Change in Net Position	<u>\$ 894,976</u>	<u>\$ 466,260</u>

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

H. Financial Analysis of the District's Funds

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

	2022	2021	Increase (Decrease)
Major Funds			
General Fund	\$ 1,941,205	\$ 1,809,418	\$ 131,787
2006 Debt Service Fund	130,228	138,605	(8,377)
2015 Debt Service Fund	55,847	80,422	(24,575)
Nonmajor Funds			
Food Service Fund	0	0	0
Student Activities Fund	97,376	80,473	16,903
 Total Governmental Funds	 \$ 2,224,656	 \$ 2,108,918	 \$ 115,738

General Fund – In 2021-2022, the General Fund's fund balance increased by \$131,787. The increase is mainly due to the federal funding received this year which allows for supplanting as well as an increase in property tax revenue.

2006 Debt Service Fund – In 2021-2022, the 2006 Debt Service Fund's fund balance decreased because debt obligations surpassed the amount of revenue generated by the tax levy.

2015 Debt Service Fund – In 2021-2022 the 2015 Debt Service Fund's fund balance decreased because debt obligations surpassed the amount of revenue generated by the tax levy.

Food Service Fund – In 2021-2022, the Food Service Fund's fund balance remained at \$0. The fund is supported by the General Fund and a transfer in of \$99,117 kept the fund balance at \$0.

Student Activities Fund – In 2021-2022, the Student Activities Fund's fund balance increased by \$16,903, which is mainly due to various clubs fundraising outweighing the costs to run the clubs for the current fiscal year.

I. General Fund Budgetary Highlights

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

For the 2021-2022 fiscal year, the District amended the General Fund at various time throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>	<u>\$ 5,035,737</u>	<u>\$ 5,289,616</u>	<u>\$ 5,271,145</u>
<u>EXPENDITURES</u>			
Instruction	\$ 2,513,073	\$ 2,657,061	\$ 2,631,425
Supporting Services	2,408,166	2,537,134	2,403,437
Community Services	150	150	0
Payments to Other Governmental Agencies	8,031	6,922	5,379
Total Expenditures	<u>\$ 4,929,420</u>	<u>\$ 5,201,267</u>	<u>\$ 5,040,241</u>

The changes from original budget and final budget resulted from funding amounts for various programs and associated expenditures becoming clearer throughout the year. Variances between final budgeted revenues and actual revenues were minimal. The variance between budgeted expenditures and actual expenditures for Supporting Services is a result of not spending as much on building operations and maintenance as expected.

J. Capital Asset and Debt Administration

1. Capital Assets

At the end of the 2021-2022 fiscal year, the District had invested \$12,290,559, net of depreciation, in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net decrease of \$188,263 from the prior fiscal year. Depreciation expense for the year amounted to \$416,282 bringing the accumulation to \$7,775,752 as of June 30, 2022. The District had the following major capital asset activity during the fiscal year:

- Lighting improvements at a cost of \$103,317
- Running track resurfacing at a cost of \$92,933 (in progress as of June 30, 2022)
- Chromebooks and cases at a cost of \$20,557
- Purchased a van in the amount of \$11,212 to be used for food service
- Disposed of fully depreciated computer equipment with a historical cost of \$213,216

The District is committed to spending approximately \$80,000 to finish the track resurfacing and \$82,000 on HVAC improvements in 2022-2023.

2. Long-Term Obligations

At June 30, 2022, the District had \$9,340,000 in obligations outstanding. This represents a decrease of \$650,000 from the amount outstanding at the close of the prior fiscal year due to the District

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

satisfying its required debt obligations for the year. Additionally, at June 30, 2022, the District reported its net share of the pension liability of \$5,070,961 and its net share of the other postemployment benefits liability of \$334,755, as well as a compensated absence liability of \$38,411.

K. Factors Bearing on the District's Future

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

- The current retirement rate for the next fiscal year is expected to be 44.88%. We are concerned about how the future retirement rates will be calculated with changes in legislation.
- State-wide pressures for equity in the funding of schools always poses the possibility that the State of Michigan makes changes in the funding structure for schools and that the District's "Out-of-Formula" status could be changed. Although not anticipated, district officials must plan for the eventual possibility of significantly less dollars per student should these demands for equity result in changes in State school funding.
- The District continues to monitor certain one-time funding sources, primarily Federal funding due to pandemic recovery efforts. As these funding sources go away, it is unlikely that the revenue received from these sources will be made up.
- The District has final teacher and support staff contracts for the 2022-23 school year.
- The District has been affected by supply chain shortages for many supplies and products that are used in day to day activities. We are hopeful in future years the shortages will become less significant, especially with upcoming building projects.
- The District has faced significant staffing challenges for almost all positions including, but not limited to, full time teaching staff, substitute teaching staff, and other support staff.

L. Contacting the District's Financial Management

The financial report is designed to a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bellaire Public Schools, 204 W. Forest Home Ave., Bellaire, Michigan 49615.

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 473,458
Investments	1,851,327
Accounts Receivable	21,477
Due from Other Governmental Units	491,004
Prepaid Expenses	52,800
Inventory	<u>6,956</u>
 Total Current Assets	 <u>2,897,022</u>

NON CURRENT ASSETS

Capital Assets	20,066,311
Less Accumulated Depreciation	<u>(7,775,752)</u>
 Total Non Current Assets	 <u>12,290,559</u>

TOTAL ASSETS	<u>15,187,581</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding	148,020
Deferred Outflows of Resources Related to Pensions	1,580,895
Deferred Outflows of Resources Related to Other Postemployment Benefits	<u>612,047</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>2,340,962</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	119,843
Salaries and Benefits Payable	533,937
Accrued Interest Payable	60,185
Unearned Revenue	8,064
Current Portion of Non Current Liabilities	<u>675,000</u>
 Total Current Liabilities	 <u>1,397,029</u>

The notes to the financial statements are an integral part of this statement.

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

NON CURRENT LIABILITIES

Bonds Payable, Net of Premium	9,507,703
Net Pension Liability	5,070,961
Net Other Postemployment Benefits Liability	334,755
Compensated Absences	38,411
Less Current Portion of Non Current Liabilities	<u>(675,000)</u>

Total Non Current Liabilities	<u>14,276,830</u>
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TOTAL LIABILITIES	<u>15,673,859</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions	2,044,034
Deferred Inflows of Resources Related to Other Postemployment Benefits	<u>1,282,756</u>

TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,326,790</u>
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NET POSITION

Net Investment in Capital Assets	2,782,856
Restricted for Debt Service	125,890
Unrestricted (Deficit)	<u>(4,380,852)</u>

TOTAL NET POSITION (DEFICIT)	<u><u>\$ (1,472,106)</u></u>
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The notes to the financial statements are an integral part of this statement.

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS GOVERNMENTAL ACTIVITIES	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	
Instruction	\$ 2,358,813	\$ 0	\$ 822,220	\$ 0	\$ (1,536,593)
Supporting Services	2,131,498	22,786	303,686	0	(1,805,026)
Payments to Other Governmental Agencies	5,379	0	0	0	(5,379)
Food Service	305,420	9,337	208,177	0	(87,906)
Interest on Long-Term Debt	376,795	0	11,037	0	(365,758)
Unallocated Depreciation	416,282	0	0	0	(416,282)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,594,187	\$ 32,123	\$ 1,345,120	\$ 0	(4,216,944)
<u>GENERAL REVENUES</u>					
Property Taxes - General Purposes					3,985,624
Property Taxes - Debt Service					992,489
Investment Earnings					5,688
State Sources					70,626
Other					57,493
Total General Revenues					5,111,920
Change in Net Position					894,976
NET POSITION - Beginning of Year - (Deficit)					(2,367,082)
NET POSITION - End of Year - (Deficit)					\$ (1,472,106)

The notes to the financial statements are an integral part of this statement.

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2022

	GENERAL FUND	2006 DEBT		2015 DEBT		NON-MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
		SERVICE FUND		SERVICE FUND		FOOD SERVICE FUND	STUDENT ACTIVITIES FUND		
\$	323,179	\$	0	\$	0	\$	17,609	\$	462,936
	1,736,162		82,801		32,364		0		1,851,327
	21,454		0		0		23		21,477
	58,307		47,427		23,483		0		129,217
	473,479		0		0		17,525		491,004
	52,800		0		0		0		52,800
	0		0		0		6,956		6,956
\$	2,665,381	\$	130,228	\$	55,847	\$	42,113	\$	3,015,717

ASSETS

Cash and Cash Equivalents
Investments
Accounts Receivable
Due from Other Funds
Due from Other Governmental Units
Prepaid Expenditures
Inventory

TOTAL ASSETS

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable
Salaries and Benefits Payable
Unearned Revenue
Due to Other Funds

Total Liabilities

FUND BALANCES

Nonspendable, Inventory
Nonspendable, Prepaid Expenditures
Restricted for Debt Service
Restricted for Food Service
Committed for Student Activities
Assigned for Subsequent Year Budget Shortfall
Unassigned

Total Fund Balances

TOTAL LIABILITIES AND FUND BALANCES

\$	115,762	\$	0	\$	0	\$	290	\$	3,791	\$	119,843
	533,937		0		0		0		0		533,937
	3,567		0		0		4,497		0		8,064
	70,910		0		0		37,326		20,981		129,217
	724,176		0		0		42,113		24,772		791,061
	0		0		0		6,956		0		6,956
	52,800		0		0		0		0		52,800
	0		130,228		55,847		0		0		186,075
	0		0		0		(6,956)		0		(6,956)
	0		0		0		0		97,376		97,376
	159,980		0		0		0		0		159,980
	1,728,425		0		0		0		0		1,728,425
	1,941,205		130,228		55,847		0		97,376		2,224,656
\$	2,665,381	\$	130,228	\$	55,847	\$	42,113	\$	122,148	\$	3,015,717

The notes to the financial statements are an integral part of this statement.

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

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

JUNE 30, 2022

Total Governmental Fund Balances		\$ 2,224,656
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$20,066,311	
Accumulated depreciation is	<u>(7,775,752)</u>	12,290,559
Bond discounts (premiums) and deferred charges for bonds issued are expenditures at the modified accrual level, but are capitalized and written off over the life of the bonds at the full accrual level.		
Deferred Charges		148,020
Bond Discount (Premium)		(167,703)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(9,340,000)
Net Pension Liability		(5,070,961)
Other Postemployment Benefits Liability		(334,755)
Compensated Absences		(28,353)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions and Other Postemployment Benefits		2,192,942
Deferred Inflows of Resources Related to Pensions and Other Postemployment Benefits		(3,326,790)
An Internal Service Fund is used by the District to charge the cost of compensated absences to the individual funds. The assets and liabilities of the fund are included with the governmental activities.		
		464
Accrued interest on bonds is not included as a liability in government funds, it is recorded when paid.		
		<u>(60,185)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ (1,472,106)</u></u>

The notes to the financial statements are an integral part of this statement.

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

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

YEAR ENDED JUNE 30, 2022

	GENERAL FUND	2006 DEBT SERVICE FUND	2015 DEBT SERVICE FUND	NON-MAJOR FUNDS				TOTAL GOVERNMENTAL FUNDS
				FOOD SERVICE FUND	STUDENT ACTIVITIES FUND			
<u>REVENUES</u>								
Local Sources	\$ 4,022,172	\$ 665,273	\$ 327,615	\$ 9,338	\$ 74,547	\$		\$ 5,098,945
State Sources	723,788	7,395	3,642	12,289	0			747,114
Federal Sources	364,737	0	0	195,888	0			560,625
Other Transactions	160,448	0	0	0	0			160,448
Total Revenues	5,271,145	672,668	331,257	217,515	74,547			6,567,132
<u>EXPENDITURES</u>								
Instruction	2,631,425	0	0	0	0			2,631,425
Supporting Services	2,403,437	1,795	645	0	57,644			2,463,521
Payments to Other Governmental Agencies	5,379	0	0	0	0			5,379
Food Service	0	0	0	316,632	0			316,632
Debt Service	0	679,250	355,187	0	0			1,034,437
Total Expenditures	5,040,241	681,045	355,832	316,632	57,644			6,451,394
Excess (Deficiency) of Revenues over Expenditures	230,904	(8,377)	(24,575)	(99,117)	16,903			115,738
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfers In (Out)	(99,117)	0	0	99,117	0			0
Net Change in Fund Balance	131,787	(8,377)	(24,575)	0	16,903			115,738
<u>FUND BALANCE - Beginning of Year</u>	1,809,418	138,605	80,422	0	80,473			2,108,918
<u>FUND BALANCE - End of Year</u>	\$ 1,941,205	\$ 130,228	\$ 55,847	\$ 0	\$ 97,376	\$		\$ 2,224,656

The notes to the financial statements are an integral part of this statement.

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

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

YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances Total Governmental Funds	\$ 115,738
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Amounts reported for governmental activities are different because:

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

Capital Outlay	228,019
Depreciation Expense	(416,282)

Certain items are recorded in the Statement of Activities when incurred; they are not recorded in governmental funds until paid:

Accrued Interest Payable - Beginning of Year	65,141
Accrued Interest Payable - End of Year	(60,185)
Compensated Absences - Beginning of Year	35,125
Compensated Absences - End of Year	(28,353)

Governmental funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions are reported as expenses.

Change in Pension and Other Postemployment Benefits Related Items	381,056
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Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147C pension contributions subsequent to the measurement date.

Change in State Aid Funding for Pension Benefits	(77,980)
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An Internal Service Fund is used by the District to charge the cost of compensated absences to the individual funds. The net revenue of this fund is reported with the governmental activities.

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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it is a reduction of liabilities). Also, governmental funds report the effects of premiums, discounts, and similar items when obligations are first issued, whereas these amounts are deferred and amortized in the Statement of Activities over the life of the long-term obligation issued.

Amortization of Deferred Charges	(20,197)
Amortization of Bond Premium	22,883
Repayment of Principal	650,000

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 894,976</u>
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The notes to the financial statements are an integral part of this statement.

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND

JUNE 30, 2022

	<u>INTERNAL SERVICE FUND</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 10,522
<u>LIABILITIES</u>	
Accrued Expenses	<u> 10,058</u>
<u>NET POSITION</u>	
Unrestricted	<u><u> \$ 464</u></u>

The notes to the financial statements are an integral part of this statement.

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

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

FOR THE YEAR ENDED JUNE 30, 2022

	<u>INTERNAL SERVICE FUND</u>
<u>NON-OPERATING REVENUES</u>	
Interest Income	\$ 11
<u>NET POSITION - Beginning of Year</u>	<u>453</u>
<u>NET POSITION - End of Year</u>	<u><u>\$ 464</u></u>

The notes to the financial statements are an integral part of this statement.

BELLAIRE PUBLIC SCHOOLS
BELLAIRE, MICHIGAN

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2022

	<u>INTERNAL SERVICE FUND</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	\$ 0
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Income	<u>11</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>10,511</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u><u>\$ 10,522</u></u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	<u><u>\$ 0</u></u>

The notes to the financial statements are an integral part of this statement.

BELLAIRE PUBLIC SCHOOLS

BELLAIRE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District ("the District") is located in Antrim County with its administrative offices located in Bellaire, Michigan. The District operates under an elected board of education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund charges for retirement incentives and compensated absences.

C. Basis of Presentation – Government-Wide Financial Statements

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

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

BELLAIRE PUBLIC SCHOOLS

BELLAIRE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its proprietary funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The *2006 DEBT SERVICE FUND* accounts for the revenues and expenditures related to the 2006 General Obligation Bonds.

The *2015 DEBT SERVICE FUND* accounts for the revenues and expenditures related to the 2015 General Obligation Bonds.

Other non-major funds:

The *FOOD SERVICE SPECIAL REVENUE FUND* accounts for revenue sources that are legally restricted to expenditures for food service.

The *STUDENT ACTIVITIES FUND* accounts for revenue sources that are received and ultimately expended on student activities.

Additionally, the District reports the following fund types:

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

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

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

BELLAIRE PUBLIC SCHOOLS

BELLAIRE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term obligations are reported as other financing sources.

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

The internal service fund is reported using the *economic resources focus* and the *accrual basis of accounting*.

F. Budgetary Information

1. Budgetary Basis of Accounting

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

BELLAIRE PUBLIC SCHOOLS

BELLAIRE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

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

- (a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- (b) A public hearing is conducted during June to obtain taxpayer comments.
- (c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- (d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- (e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- (f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- (g) Budgeted amounts are as originally adopted in June 2021, or as amended by the School Board of Education throughout the year.

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

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments.

BELLAIRE PUBLIC SCHOOLS

BELLAIRE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

2. *Investments*

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration and the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings, and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two years of the date of purchase. The District's deposits and investments are held separately by several of the District's funds.

3. *Inventory and Prepaid Items*

Inventories are valued at cost using the first in/first out method. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date of the donation. Donated capital assets are only reported under the accrual method of accounting.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

BELLAIRE PUBLIC SCHOOLS

BELLAIRE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Additions	30-50
Improvements, other than Buildings	10-20
Buses and Vehicles	10
Furniture and Equipment	3-10

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District recognizes unearned revenue related to funds received by the District from the State of Michigan to administer its First Robotics and Early Literacy. Unearned revenue is also reported in the Food Service Fund related to meals being paid for in advance and a supply chain grant.

6. *Defined Benefit Plans*

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

7. *Long-Term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related obligation.

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

BELLAIRE PUBLIC SCHOOLS

BELLAIRE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has items that qualify for reporting in this category related to its pension plan and other postemployment benefits plan, which are discussed in Note 2-I and Note 2-J of this report, as well as a deferred loss on a bond refunding.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category except those related to its pension plan and other postemployment benefits plan, which are discussed in Note 2-I and Note 2-J of this report.

9. *Net Position Flow Assumption*

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

10. *Fund Balance Flow Assumption*

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

11. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making

BELLAIRE PUBLIC SCHOOLS

BELLAIRE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

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

12. Use of Estimates

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

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The local portion of the foundation is funded primarily by non-homestead property taxes. Since the District's property tax collections exceed the state's formula, the foundation grant approach does not apply to the District. Instead, the District uses its locally collected property taxes to fund the District.

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

2. Program Revenues

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

BELLAIRE PUBLIC SCHOOLS

BELLAIRE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1, and due July 1. The levy becomes delinquent as of February 14 for all taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2022, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund - Non-Homestead	18.0000
General Fund - Commercial PPT	6.0000
Debt Service Funds - PRE, Non-PRE, Commercial Personal Property	2.5000

NOTE 2 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2022 the District had deposits and investments subject to the following risks:

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2022, the District's bank balance was \$472,959 and \$22,505 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

	Fair Value	Weighted Average Maturity (Years)
MILAF+ Cash Management Class	\$ 334,846	N/A
MILAF+ MAX Class	1,516,481	N/A
	<u>\$ 1,851,327</u>	
Portfolio Weighted Average Maturity		<u>N/A</u>

1 Day Maturity Equals 0.0027, One Year Equals 1.000

BELLAIRE PUBLIC SCHOOLS

BELLAIRE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Credit Risk – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of Credit Risk – The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

	Fair Value	Standard & Poor's Rating
MILAF+ Cash Management Class	\$ 334,846	AAAm
MILAF+ MAX Class	1,516,481	AAAm
	<u>\$ 1,851,327</u>	

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

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2022:

	Primary Government	Rating
Cash and Cash Equivalents	\$ 473,458	N/A
Investments	1,851,327	AAAm
	<u>\$ 2,324,785</u>	

Fair Market Value Disclosure - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements)

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and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF+ Cash Management Class	\$ 334,846
MILAF+ MAX Class	1,516,481
	<u>\$ 1,851,327</u>

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds consisted due from other governments and accounts receivable. The General Fund reported accounts receivable of \$21,454, which was made up amounts due from various non-governmental sources. The Food Service Fund reported \$23 of accounts receivable due to unpaid lunch balances. The General Fund reported \$473,479 and the Food Service Fund reported \$17,525 as due from other governments. Amounts due from other governments include amounts due from federal, state and local sources for various projects and programs.

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C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the financial statements at June 30, 2022, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 37,326
General Fund	Student Activities Fund	20,981
2006 Debt Service Fund	General Fund	47,427
2015 Debt Service Fund	General Fund	23,483
Total		<u>\$ 129,217</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2022 are expected to be repaid within one year.

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

<u>Transferred From:</u>	<u>Transferred To:</u>	<u>Amount</u>
General Fund	Food Service Fund	<u>\$ 99,117</u>

D. Accumulated Sick Liability

Employees of the School District accumulate days of compensated sick leave to 140 days, as specified by the bargaining units' contract. This benefit vests after 10 years of employment. Upon either resignation or retirement, the employees are compensated at one-fourth of the daily rates specified in the bargaining units' contracts, up to \$3,400.

E. Accumulated Leave Liability

Certain employees of the School District, hired prior to July 1, 2004, who have no less than 10 consecutive years of service and qualify under MPSERS, have the option, after completion of their contract, to be granted an early retirement incentive. To receive this benefit in 2023, the declaration by the bargaining unit member to request early retirement shall be made in writing to the Superintendent no later than June 1, 2022. The retiring member is entitled to a one-time payment of a sum of money equivalent to 25% of the annual teaching salary received during the year preceding retirement. The following restrictions shall apply: (a) twenty five percent (25%) shall be awarded only if you retire in your first year of full retirement eligibility (b) twelve and one half percent (12.5%) shall

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be awarded if your retire in your second year of full retirement eligibility (c) if a bargaining unit member elects to not retire within the first two (2) years of full retirement eligibility, the bargaining unit member shall forfeit this early retirement incentive benefit.

F. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital Assets Not Being Depreciated				
Land	\$ 912	\$ 0	\$ 0	\$ 912
Capital Assets Being Depreciated				
Land Improvements	787,118	0	0	787,118
Buildings and Improvements	17,435,994	196,250	0	17,632,244
Furniture and Equipment	1,666,587	20,557	213,216	1,473,928
Buses and Vehicles	160,897	11,212	0	172,109
Subtotal	20,050,596	228,019	213,216	20,065,399
Less Accumulated Depreciation for:				
Land Improvements	604,202	20,774	0	624,976
Buildings and Improvements	5,443,620	322,854	0	5,766,474
Furniture and Equipment	1,509,930	55,443	213,216	1,352,157
Buses and Vehicles	14,934	17,211	0	32,145
Accumulated Depreciation	7,572,686	416,282	213,216	7,775,752
Net capital assets being depreciated	12,477,910	(188,263)	0	12,289,647
Net capital assets	\$ 12,478,822	\$ (188,263)	\$ 0	\$ 12,290,559

Depreciation for the fiscal year ended June 30, 2022, amounted to \$416,282. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

G. Long-Term Obligations

The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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The following is a summary of governmental long-term obligation transactions for the District for the year ended June 30, 2022:

	GENERAL OBLIGATION BONDS	NET PENSION LIABILITY	NET OPEB LIABILITY	COMPENSATED ABSENCES	TOTAL
Balance, July 1, 2021	\$ 9,990,000	\$ 7,015,076	\$ 1,124,311	\$ 45,183	\$ 18,174,570
Additions	0	643,122	162,806	22,065	827,993
Deletions	(650,000)	(2,587,237)	(952,362)	(28,837)	(4,218,436)
Balance, June 30, 2022	9,340,000	5,070,961	334,755	38,411	14,784,127
Less current portion	(675,000)	Unknown	Unknown	Unknown	(675,000)
Total due after one year	\$ 8,665,000	\$ 5,070,961	\$ 334,755	\$ 38,411	\$ 14,109,127

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

2015 Refunding Bonds due in annual installments of \$675,000 to \$680,000 through May 1, 2036, interest at 2.00% to 4.00%.	\$ 9,340,000
Net Pension Liability	5,070,961
Net Other Postemployment Benefits Liability	334,755
Compensated Absences	38,411
Total	<u>\$ 14,784,127</u>

The annual requirements to amortize the General Obligation Bonds outstanding as of June 30, 2022, including interest payments of \$2,682,704 are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 675,000	\$ 355,188	\$ 1,030,188
2024	685,000	328,188	1,013,188
2025	685,000	300,788	985,788
2026	680,000	273,388	953,388
2027	680,000	246,188	926,188
2028-2032	3,330,000	920,164	4,250,164
2033-2036	2,605,000	258,800	2,863,800
	<u>\$ 9,340,000</u>	<u>\$ 2,682,704</u>	<u>12,022,704</u>
Net Pension Liability			5,070,961
Net OPEB Liability			334,755
Compensated Absences			38,411
			<u>\$ 17,466,831</u>

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Interest expense for the year ended June 30, 2022 was approximately \$379,000.

The annual requirements to amortize the pension liability and the other postemployment benefits liability are uncertain because it is unknown when the repayments will be made. These liabilities will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

H. Defined Benefit Plan and Postemployment Benefits

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

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

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

Benefits Provided- Overall

Introduction

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

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

Benefits Provided – Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit

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when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

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

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

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

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

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

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

Pension Reform of 2017

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

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Benefits Provided – Other postemployment benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the plan year ending September 30, 2021, were determined as of the September 30, 2018 actuarial valuations. For the pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018, are amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.45%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2022, were equal to the required contribution total. Total pension contributions were approximately \$789,000, with approximately \$751,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2022, were equal to the required contribution total. Total OPEB contributions were approximately \$181,000, with approximately \$160,000 specifically for the Defined Benefit Plan.

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

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

Pension Liabilities

At June 30, 2022, the District reported a liability of \$5,070,961 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 date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the District's proportion was 0.02141868% and 0.02042170%.

MPSERS (Plan) Non-University Employers Net Pension Liability

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Fiduciary Net Position	(62,717,060,920)	(50,939,496,006)
Net Pension Liability	<u>\$ 23,675,412,475</u>	<u>\$ 34,351,087,793</u>
Fiduciary Net Position as a percentage of Total Pension Liability	72.60%	59.72%
Net Pension Liability as a percentage of Covered Payroll	261.88%	387.25%

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

For the year ended June 30, 2022, the District recognized total pension expense of \$683,043. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,551	\$ 29,862
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	349,083
Changes of assumptions	319,655	0
Net difference between projected and actual earnings on pension plan investments	0	1,630,298
Changes in proportion and differences between District contributions and proportionate share of contributions	474,264	34,791
District contributions subsequent to the measurement date	708,425	0
Total	\$ 1,580,895	\$ 2,044,034

\$708,425 reported as deferred outflows of resources and \$349,083 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ 4,988
2023	(127,951)
2024	(288,090)
2025	(411,428)
	\$ (822,481)

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

OPEB Liabilities

At June 30, 2022, the District reported a liability of \$334,755 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB

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liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the District's proportion was 0.02193132% and 0.02098665%.

MPSERS (Plan) Non-University Employers Net OPEB Liability

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total OPEB Liability	\$ 12,046,393,511	\$ 13,206,903,534
Fiduciary Net Position	(10,520,015,621)	(7,849,636,555)
Net OPEB Liability	<u>\$ 1,526,377,890</u>	<u>\$ 5,357,266,979</u>
Fiduciary Net Position as a percentage of Total OPEB Liability	87.33%	59.44%
District OPEB Liability as a percentage of Covered Payroll	16.87%	60.39%

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

For the year ended June 30, 2022, the District recognized total OPEB expense of (\$154,160).

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 955,534
Changes of assumptions	279,838	41,874
Net difference between projected and actual earnings on OPEB plan investments	0	252,311
Changes in proportion and differences between District contributions and proportionate share of contributions	191,612	33,037
District contributions subsequent to the measurement date	<u>140,597</u>	<u>0</u>
Total	<u>\$ 612,047</u>	<u>\$ 1,282,756</u>

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\$140,597 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ (219,741)
2023	(192,169)
2024	(168,293)
2025	(167,204)
2026	(56,491)
Thereafter	(7,408)
	<u>\$ (811,306)</u>

K. Actuarial Assumptions

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

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

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

Inflation – 3.0%

Mortality assumptions –

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

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

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

Experience study – The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods

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2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare cost trend rate for other postemployment benefit – Pre 65, 7.75% for year one graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

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

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

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

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

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.00%	5.40%
Private Equity Pools	16.00%	9.10%
International Equity Pools	15.00%	7.50%
Fixed Income Pools	10.50%	-0.70%
Real Estate & 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%
	<u>100%</u>	

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Rate of return

For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate

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

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

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Pension				
1% Decrease		Pension Discount Rate		1% Increase
\$	7,250,099	\$	5,070,961	\$ 3,264,313

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

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

OPEB				
1% Decrease		OPEB Discount Rate		1% Increase
\$	622,035	\$	334,755	\$ 90,957

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

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

OPEB				
		Current Healthcare Cost		
1% Decrease		Trend Rates		1% Increase
\$	81,477	\$	334,755	\$ 619,723

L. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2021 Annual Comprehensive Financial Report.

M. Payables to the Pension and OPEB Plan

As of June 30, 2022, the District is current on all required pension and OPEB plan payments. As of June 30, 2022, the District reported payables in the amount of \$140,685 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

N. Risk Management

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

O. GASB Statement No. 77 (Tax Abatements)

It has been determined that the District has granted tax abatements as defined by GASB Statement No. 77. However, the total of these abatements is less than \$1,000, and it has been determined they are not significant enough to warrant disclosure.

P. GASB Statement No. 87 – Leases

It has been determined that the District has leases as defined by GASB Statement No. 87. However, the total of these leases has been determined they are not significant enough to warrant disclosure.

Q. Contingencies

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

R. Commitments

The District is committed to spending approximately \$80,000 in 2022-2023 on a new track surface. The project was in progress as of June 30, 2022. Additionally, the District is committed to spending approximately \$82,000 on HVAC improvements.

NOTE 3 – UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* was issued by GASB in May 2020. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA; and (4) requires note disclosures regarding a SBITA. The District is currently evaluating the impact the standard will have on the financial statements when implemented in 2022-2023.

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 3,982,413	\$ 4,021,022	\$ 4,022,172
State Sources	479,354	708,096	723,788
Federal Sources	505,965	405,672	364,737
Other Transactions	68,005	154,826	160,448
Total Revenues	5,035,737	5,289,616	5,271,145
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	2,134,930	2,240,349	2,236,219
Added Needs	378,143	416,712	395,206
Supporting Services			
Pupil Support Services	250,684	297,250	296,195
Instructional Staff	213,026	212,719	201,164
General Administration	133,797	148,156	147,801
School Administration	408,268	430,763	428,903
Business	120,172	112,595	111,161
Operation and Maintenance	966,539	1,014,051	912,111
Pupil Transportation Services	186,224	187,343	177,696
Support Services - Other	129,456	134,257	128,406
Community Services	150	150	0
Payments to Other Governmental Agencies	8,031	6,922	5,379
Total Expenditures	4,929,420	5,201,267	5,040,241
Excess (Deficiency) of Revenues over Expenditures	106,317	88,349	230,904
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(87,717)	(110,911)	(99,117)
Net Change in Fund Balance	18,600	(22,562)	131,787
<u>FUND BALANCE</u> - Beginning of Year	1,673,713	1,809,416	1,809,418
<u>FUND BALANCE</u> - End of Year	\$ 1,692,313	\$ 1,786,854	\$ 1,941,205

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2022

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)			0.02142%	0.02042%	0.01902%	0.01869%	0.01930%	0.01986%	0.01956%	0.01945%
District's proportionate share of net pension liability	\$ 5,070,961	\$ 7,015,076	\$ 6,299,056	\$ 5,618,031	\$ 5,000,215	\$ 4,955,277	\$ 4,776,646	\$ 4,283,181		
District's covered payroll	2,004,547	1,855,483	1,711,501	1,558,862	1,619,143	1,756,771	1,697,888	1,749,861		
District's proportionate share of net pension liability as a percentage of its covered payroll	252.97%	378.07%	368.04%	360.39%	308.82%	282.07%	281.33%	244.77%		
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%		

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2022

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions			\$ 750,925	\$ 640,773	\$ 558,262	\$ 499,737	\$ 471,329	\$ 504,947	\$ 504,265	\$ 502,075
Contributions in relation to statutorily required contributions *			750,925	640,773	558,262	499,737	471,329	504,947	504,265	502,075
Contribution deficiency (excess)			\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll			\$ 2,186,208	\$ 1,953,991	\$ 1,836,549	\$ 1,662,621	\$ 1,610,530	\$ 1,578,350	\$ 1,651,593	\$ 1,661,957
Contributions as a percentage of covered payroll			34.35%	32.79%	30.40%	30.06%	29.27%	31.99%	30.53%	30.21%

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

JUNE 30, 2022

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)						0.02193%	0.02099%	0.01961%	0.01834%	0.01936%
District's proportionate share of net OPEB liability					\$	334,755	\$ 1,124,311	\$ 1,407,289	\$ 1,457,614	\$ 1,714,744
District's covered payroll						2,004,547	1,855,483	1,711,501	1,558,862	1,588,030
District's proportionate share of net OPEB liability as a percentage of its covered payroll						16.70%	60.59%	82.23%	93.51%	107.98%
Plan fiduciary net position as a percentage of total OPEB liability						87.33%	59.44%	48.46%	42.95%	36.39%

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2022

	2017	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions						\$ 159,607	\$ 153,133	\$ 141,784	\$ 126,125	\$ 110,966
Contributions in relation to statutorily required contributions *						159,607	153,133	141,784	126,125	110,966
Contribution deficiency (excess)						\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll						\$ 2,186,208	\$ 1,953,991	\$ 1,836,549	\$ 1,662,621	\$ 1,543,308
Contributions as a percentage of covered payroll						7.30%	7.84%	7.72%	7.59%	7.19%

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

BELLAIRE PUBLIC SCHOOLS
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2022

Pension Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2021.

Changes of Assumptions – There were no changes of assumptions for the plan year ended September 30, 2021.

OPEB Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2021.

Changes of Assumptions – The assumption changes for the plan year ending September 30, 2021 were:

Healthcare Cost Trend Rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

