

FOREST AREA COMMUNITY SCHOOLS

FIFE LAKE, MICHIGAN

JUNE 30, 2022



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

CERTIFIED PUBLIC ACCOUNTANTS
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FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

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August 1, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Forest Area Community Schools
Fife Lake, 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 Forest Area Community Schools, Fife Lake, 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 Forest Area Community 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 Forest Area Community 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 Forest Area Community 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 Forest Area Community 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 Forest Area Community 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-xi and 35-40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2022, on our consideration of Forest Area Community 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 Forest Area Community 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 Forest Area Community Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

This section of Forest Area Community Schools (“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 basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Financial Highlights Section

Government-Wide

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year creating a deficit net position of \$3,662,962. Of this amount net capital assets net of related debt was \$2,781,080.
- The District’s total net deficit decreased by \$959,686.

Fund Level

- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$2,449,972, a decrease of \$34,070 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,258,307.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District’s overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District’s assets and liabilities. All of the year’s revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

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

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities, including instruction, supporting services, food service, community services, other transactions, and interest on long-term obligations are primarily financed with state and federal aids and property taxes.

Fund Financial Statements

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

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

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

The District maintains the following kinds of funds:

Governmental Funds – The District’s basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 8-34 of this report.

Other Information

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

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Summary of Net Position

The following schedule summarizes the net position at June 30:

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets	\$ 3,231,216	\$ 3,351,175
Capital Assets	13,119,165	12,371,694
Less: Accumulated Depreciation	<u>(6,725,488)</u>	<u>(6,251,639)</u>
Total Non Current Assets	<u>6,393,677</u>	<u>6,120,055</u>
Total Assets	<u>9,624,893</u>	<u>9,471,230</u>
Deferred Outflows of Resources	<u>2,369,568</u>	<u>2,911,605</u>
Liabilities		
Current Liabilities	965,045	1,041,709
Long-Term Liabilities	<u>10,456,026</u>	<u>14,339,657</u>
Total Liabilities	<u>11,421,071</u>	<u>15,381,366</u>
Deferred Inflows of Resources	<u>4,236,352</u>	<u>1,624,117</u>
Net Position		
Net Investment in Capital Assets	2,781,080	2,350,164
Restricted for Specific Purposes	558,734	565,398
Unrestricted (Deficit)	<u>(7,002,776)</u>	<u>(7,538,210)</u>
Total Net Position (Deficit)	<u>\$ (3,662,962)</u>	<u>\$ (4,622,648)</u>

Analysis of Financial Position

During the year, the District's net position increased by \$959,686. A few of the more significant factors affecting net position during the year are discussed below.

1. Depreciation Expense

GASB 34 requires school districts to maintain records 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, \$473,849 was recorded for depreciation expense.

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

2. *Pension and Other Postemployment Benefit Expense*

GASB 68 and 75 now 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 net other postemployment benefit liabilities increases or decreases in any given year. For the year ended June 30, 2022, the District reported an increase in net position related to GASB 68 and 75, which indicates that the District's proportionate share of the net pension liability and net other postemployment benefit liability have decreased overall.

3. *Capital Outlay Acquisitions*

For the fiscal year ended June 30, 2022, \$747,471 of expenditures for equipment and improvements were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$273,622.

4. *State Sources*

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. For the 2021-2022 fiscal year, the District received \$8,700 per student FTE.

Change in Net Position

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

	<u>2022</u>	<u>2021</u>
Revenues		
General Revenues		
Property Taxes	\$ 1,533,681	\$ 1,512,841
State Sources	3,134,219	3,030,233
Investment Earnings	3,113	1,348
Gain on Sale of Capital Assets	0	117,350
Other	198,296	162,986
Program Revenues		
Charges for Services	29,893	17,589
Operating Grants and Contributions	2,861,765	2,261,190
Capital Grants and Contributions	<u>0</u>	<u>32,011</u>
Total Revenues	<u>7,760,967</u>	<u>7,135,548</u>

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>
Expenses		
Instruction	3,551,531	3,859,371
Support Services	2,190,690	2,095,131
Food Services	460,748	442,736
Community Services	767	777
Other Transactions	7,809	8,153
Interest on Long-Term Obligations	115,887	99,986
Depreciation - Unallocated	473,849	412,878
Total Expense	<u>6,801,281</u>	<u>6,919,032</u>
Change in Net Position	959,686	216,516
<u>Net Position</u> (Deficit) - Beginning of Year	<u>(4,622,648)</u>	<u>(4,839,164)</u>
<u>Net Position</u> (Deficit) - End of Year	<u><u>\$ (3,662,962)</u></u>	<u><u>\$ (4,622,648)</u></u>

The cost of all the District's activities this year was \$6,801,281. Some activities were partially funded by those who benefited from the programs in the amount of \$29,893 or by governmental subsidies and contributions of \$2,861,765. The difference between these two figures and the total of the District's expenses of \$6,801,281 is \$3,909,623. This clearly points out the significant reliance placed on State resources of \$3,134,219 and local taxpayers' dollars of \$1,533,681 to fund the District's activities. Consequently, the Board of Education and Administration must annually evaluate the needs of the District to balance with available unrestricted funding.

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 districts governmental funds:

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Major Funds			
General Fund	\$ 1,753,255	\$ 1,793,432	\$ (40,177)
2019 Sinking Capital Projects Fund	217,483	186,615	30,868
Nonmajor Funds			
Food Service Fund	285,304	297,563	(12,259)
Student Activity Fund	104,629	96,414	8,215
2019 Debt Service Fund	89,301	101,997	(12,696)
2014 Sinking Capital Projects Fund	0	8,021	(8,021)
2019 Capital Projects Fund	0	0	0
Total Governmental Funds	<u><u>\$ 2,449,972</u></u>	<u><u>\$ 2,484,042</u></u>	<u><u>\$ (34,070)</u></u>

As the District completed the year, its governmental funds reported combined fund balances of \$2,449,972, a decrease of \$34,070 over last year's ending fund balances of \$2,484,042.

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

The fund balance of the District's General Fund decreased by \$40,177 during the current fiscal year. This decrease is due to the increase of capital outlay purchased this year. \$494,948 is assigned for the 2022-23 budget shortfall, the remaining balance of \$1,258,307 is unassigned.

The 2019 Sinking Fund increased by \$30,868, bringing the fund balance to \$217,483 due to collecting more in property tax revenue than it spent during the fiscal year. The entire fund balance is restricted for future capital projects.

The Food Service Fund decreased its fund balance by \$12,259, bringing the fund balance to \$285,304 due primarily to increased expenditures related to capital outlay.

The Student Activity Fund balance increased by \$8,215, bringing the fund balance to \$104,629. The increase is due to conservative spending and an increase in revenue.

The 2019 Debt Service Fund decreased by \$12,696, bringing the fund balance to \$89,301 due to an increase in principal and interest payment and not receiving a transfer in. The entire fund balance is restricted.

The 2014 Sinking Fund decreased its fund balance by \$8,021 bringing the fund balance to \$0. This decrease is due to expenditures for capital outlay acquisitions.

The 2019 Capital Projects Fund did not change its fund balance during the year and remained at \$0. There was no activity in this account during the year.

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 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>	\$ 6,282,718	\$ 6,814,515	\$ 6,821,460
<u>EXPENDITURES</u>			
Instruction	\$ 3,937,685	\$ 4,017,982	\$ 3,881,148
Supporting Services	2,651,671	2,875,528	2,663,849
Community Services	3,500	5,500	767
Facilities Acquisition, Construction and Improvements	0	318,864	318,864
Other Transactions	8,000	39,033	7,809
Total Expenditures	\$ 6,600,856	\$ 7,256,907	\$ 6,872,437

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

The original revenue budget was increased in the final amendment due to the District expecting to receive more for state and federal funding than originally budgeted for. The difference between final budgeted and actual revenues is due to the District receiving more in state, local, and other sources.

The original expenditure budget was increased in the final amendment due the District expecting to spend more for building improvements than originally budgeted for. The difference between final budgeted and actual expenditures is due to the District having conservative spending to stay within budget.

Capital Assets and Debt Administration

Capital Assets

By the end of fiscal year 2022, the District had invested \$13,119,165 in a broad range of capital assets, including school buildings, land, athletic facilities, computer and audio-visual equipment and administrative offices. Total depreciation expense for the year was \$473,849. These investments are summarized as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital Assets	\$12,371,694	\$ 966,773	\$ 219,302	\$ 13,119,165
Less: Accumulated Depreciation	(6,251,639)	(473,849)	0	(6,725,488)
Net Investment Capital Outlay	\$ 6,120,055	\$ 492,924	\$ 219,302	\$ 6,393,677

Additions to capital assets included:

- Building and site improvements at a cost of \$401,209.
- iPads at a cost of \$35,880.
- Chromebooks at a cost of \$77,115.
- Various technology equipment at a cost of \$47,806.
- Kitchen improvements at a cost of \$80,316.
- Playground equipment at a cost of \$64,722.
- Fuel tank management system at a cost of \$14,159.
- Furniture at a cost of \$26,264.

The District has also committed to purchasing a bus in the amount of \$104,000.

Additional information on the District's capital assets can be found in the notes to this report.

Long-Term Obligations

At year-end, the District had total bonded debt, accrued sick leave, net pension liability and net other postemployment benefit liability outstanding of \$10,621,026, net of bond discounts and premiums.

Additional information on the District's long-term obligations can be found in the notes to this report.

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Factors Bearing on the District's Future

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

- The District is plaintiff with other Michigan school districts in a lawsuit against the State, seeking to rectify inequities in the method the State uses to appropriate special education aid to the districts. Also, the District is plaintiff with other Michigan school districts in Adair vs. State of Michigan relative to state required reporting.
- The current retirement rate for the next fiscal year is expected to be 44.88%. Although the District will see some cost containment in this area due to reforms, we are concerned about State aid funding stability since the Legislature will be using the State Aid Fund to essentially buy down the retirement rate.
- The District continues to monitor one-time funding sources, especially federal funding due to the pandemic recovery efforts. As these funding sources go away, it is unlikely that the revenue received from these sources will be ongoing.
- The District has a support staff union contract in place through June 30, 2025. The District has a professional staff union contract in place through 2023.
- The District has been affected by supply chain shortages for many supplies and products that are used in day-to-day operations. We are hopeful the upcoming years will reflect decreased shortages and return to normal.
- The District has faced significant staffing challenges for almost all positions including but not limited to substitute teachers, full-time instructional staff, other support staff and bus drivers.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent, Forest Area Community Schools 7741 Shippy Rd., Fife Lake, Michigan 49633.

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FOREST AREA COMMUNITY SCHOOLS

FIFE LAKE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 276,111
Investments - Restricted	3,378
Investments	1,678,352
Accounts Receivable	4,177
Due from Other Governments	1,254,645
Inventory	14,553
Total Current Assets	<u>3,231,216</u>
<u>NON CURRENT ASSETS</u>	
Capital Assets	13,119,165
Less Accumulated Depreciation	<u>(6,725,488)</u>
Total Non Current Assets	<u>6,393,677</u>
TOTAL ASSETS	<u>9,624,893</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows Related to Pensions	1,701,347
Deferred Outflows Related to Other Postemployment Benefits	<u>668,221</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,369,568</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	125,623
Salaries Payable and Related Expenses	594,690
Due to Other Governments	37,671
Unearned Revenue	23,260
Accrued Interest Payable	18,801
Current Portion of Long-Term Liabilities	<u>165,000</u>
Total Current Liabilities	<u>965,045</u>

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

FOREST AREA COMMUNITY SCHOOLS

FIFE LAKE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>NONCURRENT LIABILITIES</u>	
Bonds Payable - Net	3,612,597
Accumulated Sick Leave	78,546
Net Pension Liability	6,504,213
Net Other Postemployment Benefits Liability	425,670
Less Current Portion of Non Current Liabilities	<u>(165,000)</u>
Total Non Current Liabilities	<u>10,456,026</u>
TOTAL LIABILITIES	<u>11,421,071</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows Related to Pensions	2,611,069
Deferred Inflows Related to Other Postemployment Benefits	<u>1,625,283</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,236,352</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	2,781,080
Restricted for Debt Service	70,500
Restricted for Capital Projects	217,483
Restricted for Food Service	270,751
Unrestricted	<u>(7,002,776)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ (3,662,962)</u></u>

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

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAM	PROGRAM REVENUES				GOVERNMENTAL ACTIVITIES
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>GOVERNMENTAL ACTIVITIES</u>					<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
Instruction	\$ 3,551,531	\$ 0	\$ 1,799,940	\$ 0	(1,751,591)
Supporting Services	2,190,690	14,681	540,897	0	(1,635,112)
Food Service	460,748	15,212	520,162	0	74,626
Community Services	767	0	766	0	(1)
Other Transactions	7,809	0	0	0	(7,809)
Interest on Long-Term Obligations	115,887	0	0	0	(115,887)
Depreciation-Unallocated	473,849	0	0	0	(473,849)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6,801,281	\$ 29,893	\$ 2,861,765	\$ 0	(3,909,623)
	<u>GENERAL REVENUES</u>				
	Property Taxes - General Purpose				1,115,808
	Property Taxes - Debt Service				261,132
	Property Taxes - Capital Projects				156,741
	State Sources				3,134,219
	Investment Earnings				3,113
	Other				198,296
	Total General Revenues				4,869,309
	Change in Net Position				959,686
	<u>NET POSITION - Beginning of Year (Deficit)</u>				<u>(4,622,648)</u>
	<u>NET POSITION - End of Year (Deficit)</u>				<u>\$ (3,662,962)</u>

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

FOREST AREA COMMUNITY SCHOOLS

FIFE LAKE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2022

	GENERAL FUND	2019 SINKING FUND	OTHER NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 88,089	\$ 0	\$ 188,022	\$ 276,111
Investments - Restricted	0	0	3,378	3,378
Investments	1,085,539	316,085	276,728	1,678,352
Accounts Receivable	1,853	0	2,324	4,177
Due from Other Governments	1,230,637	0	24,008	1,254,645
Due from Other Funds	88,875	3,002	33,670	125,547
Inventory	0	0	14,553	14,553
TOTAL ASSETS	\$ 2,494,993	\$ 319,087	\$ 542,683	\$ 3,356,763
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 70,633	\$ 13,515	\$ 41,475	\$ 125,623
Salaries Payable	375,675	0	0	375,675
Accrued Expenditures	219,015	0	0	219,015
Due to Other Governments	37,671	0	0	37,671
Due to Other Funds	30,214	88,089	7,244	125,547
Unearned Revenue	8,530	0	14,730	23,260
Total Liabilities	741,738	101,604	63,449	906,791
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	0	0	14,553	14,553
Restricted for:				
Debt Service	0	0	89,301	89,301
Capital Projects	0	217,483	0	217,483
Food Service	0	0	270,751	270,751
Committed for:				
Student Activities	0	0	104,629	104,629
Assigned for:				
Budgeted Use of Fund Balance for 21/22	494,948	0	0	494,948
Unassigned	1,258,307	0	0	1,258,307
Total Fund Balances	1,753,255	217,483	479,234	2,449,972
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,494,993	\$ 319,087	\$ 542,683	\$ 3,356,763

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

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Governmental Fund Balances	\$ 2,449,972
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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	\$ 13,119,165	
Accumulated depreciation is	<u>(6,725,488)</u>	6,393,677

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. These assets consist of:

Bond Premium	(47,597)
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Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Bonds Payable	(3,565,000)
Accumulated Sick Leave	(78,546)
Net Pension Liability	(6,504,213)
Net Other Postemployment Benefits Liability	(425,670)

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	1,701,347
Deferred inflows of resources - related to pensions	(2,611,069)
Deferred outflows of resources - related to other postemployment benefits	668,221
Deferred inflows of resources - related to other postemployment benefits	(1,625,283)

Accrued interest is not included as a liability in government funds; it is recorded when paid.	<u>(18,801)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (3,662,962)</u></u>
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The notes to the financial statements are an integral part of this statement.

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	GENERAL FUND	2019 SINKING FUND	OTHER NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 1,173,117	\$ 157,211	\$ 351,282	\$ 1,681,610
States Sources	4,445,101	1,556	15,637	4,462,294
Federal Sources	993,084	0	504,525	1,497,609
Other Revenue	210,158	0	2,275	212,433
Total Revenues	6,821,460	158,767	873,719	7,853,946
<u>EXPENDITURES</u>				
Instruction	3,881,148	0	0	3,881,148
Supporting Services	2,663,849	109,371	76,572	2,849,792
Food Service	0	0	537,152	537,152
Community Services	767	0	0	767
Facilities Acquisition, Construction and Improvements	318,864	18,528	0	337,392
Debt Service	0	0	273,956	273,956
Other Transactions	7,809	0	0	7,809
Total Expenditures	6,872,437	127,899	887,680	7,888,016
Excess (Deficiency) of Revenues Over Expenditures	(50,977)	30,868	(13,961)	(34,070)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	10,800	0	(10,800)	0
Net Change in Fund Balance	(40,177)	30,868	(24,761)	(34,070)
<u>FUND BALANCE</u> - Beginning of Year	1,793,432	186,615	503,995	2,484,042
<u>FUND BALANCE</u> - End of Year	\$ 1,753,255	\$ 217,483	\$ 479,234	\$ 2,449,972

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

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, 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	\$ (34,070)
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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.

Depreciation Expense	(473,849)
Capital Outlay	747,471

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	19,576
Accrued Interest Payable - End of Year	(18,801)

Repayments 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).	155,000
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The issuance of long-term debt provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Amortization of Deferred Charges	2,294
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Accumulated sick leave is reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accumulated Sick Leave - Beginning of Year	66,095
Accumulated Sick Leave - End of Year	(78,546)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditure in the governmental funds.

Change in Pension Related Items	228,143
Change in Other Postemployment Benefit Related Items	439,352

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	<u>(92,979)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 959,686</u></u>
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The notes to the financial statements are an integral part of this statement.

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District ("the District") is located in Grand Traverse and Kalkaska Counties with its administrative offices located in Fife Lake, Michigan. The District operates under an elected 7-member board of education and provides services to its 501 students. 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 type activities, business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

The District reports the following major governmental fund:

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

The *2019 sinking capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects.

Other non-major funds:

The *special revenue funds* account for revenue sources that are legally restricted and committed to expenditures for specific purposes. The District accounts for its food service and student/school activities in the special revenue funds.

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

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects.

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 to/from 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.

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.

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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.

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.

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

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

- a) In June, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 School Board at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 21, 2021, or as amended by the School Board throughout the year.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of the acquisition.

2. Investments

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

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

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Michigan Investment Liquid Asset Fund Plus (MILAF).

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

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

3. *Inventory and Prepaid Items*

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

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

4. *Capital Assets*

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

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

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

Buildings	30-40 years
Improvements, Other than Buildings	5 years
Furniture and Other Equipment	5-20 years
Transportation Equipment	8 years

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

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnote 2.D and 2.E.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnote 2.D and 2.E.

6. *Defined Benefit Plans*

For purposes of measuring the net pension and other postemployment benefits 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. *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 has unearned revenue in the General Fund that is related to state and local grants/donations, with restriction on how they can be spent. The funds have been received but as of the year-end have not been spent. The District also has unearned revenue in the Food Service Fund that is related to money received from students for meals in advance.

8. *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 debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the Superintendent to assign fund balance. 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 Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2022, the foundation allowance was based on pupil membership counts based taken in February 2021, and October 2021. For fiscal year ended June 30, 2022, the per pupil foundation allowance was \$8,700 for Forest Area Community Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2021 to August 2022. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

2. *Program Revenues*

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

3. *Property Taxes*

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

The various counties in which the District is located have tax revolving funds which allow the counties to pay off the various taxing units for their share of the current year real property taxes returned delinquent. Taxes receivable are uncollected delinquent personal property taxes.

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

Fund	Mills
General Fund - Non-Principal Residence Exemption (PRE)	17.1531
General Fund - Commercial Personal Property	5.1531
Debt Service Fund - PRE, Non-PRE, and Commercial Personal Property	1.6000
Sinking Fund - PRE, Non-PRE, and Commercial Personal Property	0.9603

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

4. *Compensated Absences*

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits which are paid when the employee separates from service from the District. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability is recorded in the *Statement of Net Position* for such amounts.

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND 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 \$276,111 and \$26,111 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the fiscal year was \$276,111.

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 External Investment Pool - CMC	\$ 1,000,166	N/A
MILAF External Investment Pool - Max	681,564	N/A
	<u>\$ 1,681,730</u>	
Portfolio Weighted Average Maturity		<u>N/A</u>

1 Day Maturity Equals 0.0027, One Year Equals 1.000

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.

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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 External Investment Pool - CMC	\$ 1,000,166	AAAm
MILAF External Investment Pool - Max	681,564	AAAm
	<u>\$ 1,681,730</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

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

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices form 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)

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fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	<u>Amortized Cost</u>
MILAF External Investment Pool - CMC	\$ 1,000,166
MILAF External Investment Pool - Max	<u>681,564</u>
	<u>\$ 1,681,730</u>

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:

	<u>Primary Government</u>
Cash and Cash Equivalents	\$ 276,111
Investments	1,678,352
Investments - Restricted	<u>3,378</u>
	<u>\$ 1,957,841</u>

B. Receivables

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

	<u>General</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
Receivables			
Accounts	\$ 1,853	\$ 2,324	\$ 4,177
Due from Other Governments	<u>1,230,637</u>	<u>24,008</u>	<u>1,254,645</u>
	<u>\$ 1,232,490</u>	<u>\$ 26,332</u>	<u>\$ 1,258,822</u>

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

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

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C. Capital Assets

Capital assets activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated				
Land	\$ 91,210	\$ 0	\$ 0	\$ 91,210
Construction in Progress	225,368	47,306	219,302	53,372
Subtotal	316,578	47,306	219,302	144,582
Capital assets being depreciated				
Buildings and improvements	9,557,096	590,499	0	10,147,595
Improvements other than buildings	525,673	0	0	525,673
Furniture and equipment	1,295,216	328,968	0	1,624,184
Transportation equipment	677,131	0	0	677,131
Subtotal	12,055,116	919,467	0	12,974,583
Less accumulated depreciated for:				
Buildings and improvements	4,861,192	256,724	0	5,117,916
Improvements other than buildings	422,327	21,177	0	443,504
Furniture and equipment	716,221	125,067	0	841,288
Transportation equipment	251,899	70,881	0	322,780
Accumulated depreciation	6,251,639	473,849	0	6,725,488
Net capital assets being depreciated	5,803,477	445,618	0	6,249,095
Net Capital Assets	\$ 6,120,055	\$ 492,924	\$ 219,302	\$ 6,393,677

Depreciation for the fiscal year ended June 30, 2022, amounted to \$473,849. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Retirement 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 Annual Comprehensive 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.

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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.

Benefit Provisions- Overall

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

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

Benefits Provided – Pension

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

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 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% to 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 (MPSERS) who became a member of MPSERS 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

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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 December 1, 2012, subsequently amended to 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 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 reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition 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 their after 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 accounts. 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.

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Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and the Defined Contribution Plan 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.

Benefits Provided – Other Postemployment Benefits (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, is currently 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

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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.

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 members and retiree other post-employment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2021 were determined as of the September 30, 2018 actuarial valuations. For 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:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
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%

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The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Pension contributions were approximately \$1,002,200, with \$966,400 specifically for the Defined Benefit Plan and approximately \$35,800 was contributed to the Defined Contribution Fund.

The District's OPEB contributions for the year ended June 30, 2022 were approximately \$230,600 with \$205,800 specifically for the Defined Benefit Plan and approximately \$24,800 was contributed to the Defined Contribution Fund.

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).

E. 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 \$6,504,213 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.

MPSERS (Plan) Non-university Employer's 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%
Pension Liability as a Percentage of Covered-Employee Payroll	261.68%	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 \$738,244.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 100,753	\$ 38,302
Changes of assumptions	410,002	0
Net difference between projected and actual earnings on pension plan investments	0	2,091,084
Changes in proportion and differences between District contributions and proportionate share of contributions	268,176	34,084
District section 147c revenue related to pension contributions subsequent to the measurement date	0	447,599
District contributions subsequent to the measurement date	922,416	0
Total	<u>\$ 1,701,347</u>	<u>\$ 2,611,069</u>

\$922,416 reported as deferred outflows of resources and \$447,599 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ (113,742)
2023	(279,265)
2024	(445,265)
2025	(546,267)
	<u>\$ (1,384,539)</u>

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

OPEB Liabilities

At June 30, 2022, the District reported a liability of \$425,670 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation 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.

MPERS (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%
Net 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 benefit of \$224,557.

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	\$ 1,215,046
Changes of assumptions	355,839	53,247
Net difference between projected and actual earnings on OPEB plan investments	0	320,835
Changes in proportion and differences between District contributions and proportionate share of contributions	126,605	36,155
District contributions subsequent to the measurement date	<u>185,777</u>	<u>0</u>
Total	<u>\$ 668,221</u>	<u>\$ 1,625,283</u>

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\$185,777 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ (307,928)
2023	(272,732)
2024	(240,859)
2025	(235,904)
2026	(75,515)
Thereafter	(9,901)
	<u>\$ (1,142,839)</u>

G. Actuarial Valuations and Assumptions of the Pension Plan and OPEB Plan

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 6.0% 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 inflation at 2.75%.

Inflation – 3.0%.

Mortality assumptions –

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

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Annual Comprehensive Financial Report.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.0% Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was

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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 and 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.

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.

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FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Pension Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability (6.0% 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% (6.0% for the Pension Plus Plan and 6.0% 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 these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate

The 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 District'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 District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Pension			
1% Decrease	Discount Rate	1% Increase	
\$ 9,299,261	\$ 6,504,213	\$ 4,186,935	

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 District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

OPEB			
1% Decrease	Discount Rate	1% Increase	
\$ 790,973	\$ 425,670	\$ 115,659	

FOREST AREA COMMUNITY SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, as well as what the District'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		
	Healthcare Cost	
1% Decrease	Discount Rate	1% Increase
\$ 103,605	\$ 425,670	\$ 788,033

H. Pension and OPEB Plan Fiduciary Net Position

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

I. 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 \$182,059 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 funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

J. Risk Management

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

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

K. 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.

FOREST AREA COMMUNITY SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

	COMPENSATED ABSENCES	GENERAL OBLIGATION BOND	NET PENSION LIABILITY	NET OPEB LIABILITY	TOTAL
Balance, July 1, 2021	\$ 66,095	\$ 3,720,000	\$ 9,213,250	\$ 1,445,421	\$ 14,444,766
Additions	14,739	0	824,893	207,022	1,046,654
Deletions	(2,288)	(155,000)	(3,533,930)	(1,226,773)	(4,917,991)
Balance, June 30, 2022	78,546	3,565,000	6,504,213	425,670	10,573,429
Less current portion	0	(165,000)	0	0	(165,000)
Total due after one year	\$ 78,546	\$ 3,400,000	\$ 6,504,213	\$ 425,670	\$ 10,408,429

The District's debt obligations at June 30, 2022, are comprised of the following issues:

General Obligation Bond

2019 School Building and Site Bond; due in annual installments of \$130,000 to \$235,000 through May 1, 2043, with interest rates of 3.0 % to 3.50 %.	\$ 3,565,000
Unamortized Bond Premium/(Discount)	47,597
Compensated Absences	78,546
Net Pension Liability	6,504,213
Net Other Postemployment Benefits	425,670
Total Long-Term Obligation	<u>\$ 10,621,026</u>

FOREST AREA COMMUNITY SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2022, including interest payments of \$1,394,176 are as follows:

YEAR ENDING JUNE 30,	General Obligation Bond		Amounts
	Principal	Interest	Payable
2023	\$ 165,000	\$ 112,806	\$ 277,806
2024	175,000	107,856	282,856
2025	140,000	102,606	242,606
2026	145,000	98,406	243,406
2027	150,000	94,056	244,056
2028-2032	650,000	408,780	1,058,780
2033-2037	865,000	301,750	1,166,750
2038-2042	1,040,000	151,464	1,191,464
2043-2047	235,000	16,452	251,452
	3,565,000	1,394,176	4,959,176
Compensated Absences	78,546	0	78,546
Net Pension Liability	6,504,213	0	6,504,213
Net Other Postemployment Benefits Liability	425,670	0	425,670
	<u>\$ 10,573,429</u>	<u>\$ 1,394,176</u>	<u>\$ 11,967,605</u>

Interest expense for the year ended June 30, 2022 was approximately \$117,456.

The annual requirements to amortize the compensated absences, net pension liability, and net other postemployment benefits liability are uncertain because it is unknown when the payments will be made.

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

L. Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amount
General Fund	Student Activity Fund	\$ 786
General Fund	2019 Sinking Capital Projects Fund	88,089
Food Service Fund	General Fund	5,673
2014 Sinking Capital Projects Fund	General Fund	3,000
2019 Debt Service Fund	General Fund	21,541
Student Activity Fund	Food Service Fund	78
2019 Debt Service Fund	2019 Capital Projects Fund	3,378
2019 Sinking Capital Projects Fund	2014 Sinking Capital Projects Fund	3,002
		<u>\$ 125,547</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the

FOREST AREA COMMUNITY SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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.

M. Interfund Transfers

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.

The District had the following transfers between funds during the 2021-2022 year.

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 10,800

N. GASBS 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.

O. Other Information

1. *Commitments and 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.

As of June 30, 2022, the District has committed to purchasing a new school bus at a cost of approximately \$104,000.

2. *Sinking Fund Tax Levy*

In August 2013, the taxpayers approved a sinking fund tax levy. The District is authorized to levy 1.00 mill for five years beginning with the 2014 tax roll. This millage was renewed May 2017 for a period of five years beginning with the 2019 tax roll. The transactions for the 2014 and 2019 sinking funds are accounted for in a Capital Projects Funds. For these funds, the District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

3. *Single Audit*

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

FOREST AREA COMMUNITY SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

P. GASB Statement No. 77- Tax Abatements

It has been determined that the District has granted tax abatements as defined by GASB Statement No. 77. However, the total of these abatements is less than \$2,000 and it has been determined they are not significant enough to warrant disclosure.

NOTE 3 – UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2022

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,120,968	\$ 1,155,037	\$ 1,173,117
State Sources	4,092,352	4,422,152	4,445,101
Federal Sources	940,763	1,027,984	993,084
Other	128,635	209,342	210,158
Total Revenues	6,282,718	6,814,515	6,821,460
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	3,205,430	3,211,044	3,138,627
Added Needs	732,255	806,938	742,521
Supporting Services			
Pupil	215,338	239,597	236,269
Instructional Staff	110,167	129,309	101,468
General Administration	346,338	347,973	311,247
School Administration	399,786	387,187	380,286
Business	123,165	123,165	118,536
Operations and Maintenance	669,403	765,411	682,355
Pupil Transportation Services	470,555	489,323	476,064
Central	141,017	213,989	199,144
Other	175,902	179,574	158,480
Community Services	3,500	5,500	767
Facilities Acquisition, Construction and Improvements	0	318,864	318,864
Other Transactions	8,000	39,033	7,809
Total Expenditures	6,600,856	7,256,907	6,872,437
Excess (Deficiency) of Revenues Over Expenditures	(318,138)	(442,392)	(50,977)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	5,000	15,000	10,800
Net Change in Fund Balance	(313,138)	(427,392)	(40,177)
<u>FUND BALANCE</u> - Beginning of Year	1,793,437	1,793,437	1,793,432
<u>FUND BALANCE</u> - End of Year	\$ 1,480,299	\$ 1,366,045	\$ 1,753,255

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

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 (%)			0.0274724%	0.0268208%	0.0261966%	0.0259444%	0.0266679%	0.0280805%	0.0298339%	0.0310900%
District's proportionate share of net pension liability			\$ 6,504,213	\$ 9,213,250	\$ 8,675,427	\$ 7,799,352	\$ 6,910,781	\$ 7,005,848	\$ 7,286,933	\$ 6,847,782
District's covered payroll			2,635,877	2,419,456	2,356,644	2,181,626	2,147,069	2,266,495	2,458,263	2,637,615
District's proportionate share of net pension liability as a percentage of its covered payroll			246.76%	380.80%	368.13%	357.50%	321.87%	309.10%	296.43%	259.62%
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%

FOREST AREA COMMUNITY SCHOOLS
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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			\$ 1,002,221	\$ 820,059	\$ 747,984	\$ 686,987	\$ 637,350	\$ 623,444	\$ 628,828	\$ 584,219
Contributions in relation to statutorily required contributions *			1,002,221	820,059	747,984	686,987	637,350	623,444	628,828	584,219
Contribution deficiency (excess)			\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll			\$ 2,802,350	\$ 2,506,542	\$ 2,455,903	\$ 2,287,532	\$ 2,043,835	\$ 2,207,512	\$ 2,196,519	\$ 2,545,423
Contributions as a percentage of covered payroll			35.76%	32.72%	30.46%	30.03%	31.18%	28.24%	28.63%	22.95%

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

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

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 (%)						0.0278876%	0.0269806%	0.0267421%	0.0254990%	0.0267570%
District's proportionate share of net OPEB liability					\$ 425,670	\$ 1,445,421	\$ 1,919,477	\$ 2,026,971	\$ 2,369,543	
District's covered payroll					2,635,877	2,419,456	2,356,644	2,181,626	2,147,069	
District's proportionate share of net OPEB liability as a percentage of its covered payroll					16.15%	59.74%	81.45%	92.91%	110.36%	
Plan fiduciary net position as a percentage of total OPEB liability					87.33%	59.44%	48.46%	42.95%	36.39%	

FOREST AREA COMMUNITY SCHOOLS
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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						\$ 230,569	\$ 192,855	\$ 186,841	\$ 172,424	\$ 147,235
Contributions in relation to statutorily required contributions *						230,569	192,855	186,841	172,424	147,235
Contribution deficiency (excess)						\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll						\$ 2,802,350	\$ 2,506,542	\$ 2,455,903	\$ 2,287,532	\$ 2,043,835
Contributions as a percentage of covered payroll						8.23%	7.69%	7.61%	7.54%	7.20%

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

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

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 ended 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.

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		TOTAL NON-MAJOR GOVERNMENTAL
	FOOD SERVICE FUND	STUDENT ACTIVITY FUND		2014		
				2019 BOND	2019 SINKING	
Cash and Cash Equivalents	\$ 84,883	\$ 103,139	\$ 0	\$ 0	\$ 0	\$ 188,022
Investments - Restricted	0	0	0	0	3,378	3,378
Investments	206,607	5,737	64,382	2	0	276,728
Accounts Receivable	2,324	0	0	0	0	2,324
Due from Other Governments	24,008	0	0	0	0	24,008
Due from Other Funds	5,673	78	24,919	3,000	0	33,670
Inventory	14,553	0	0	0	0	14,553
TOTAL ASSETS	\$ 338,048	\$ 108,954	\$ 89,301	\$ 3,002	\$ 3,378	\$ 542,683
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 37,936	\$ 3,539	\$ 0	\$ 0	\$ 0	\$ 41,475
Due to Other Funds	78	786	0	3,002	3,378	7,244
Unearned Revenue	14,730	0	0	0	0	14,730
Total Liabilities	52,744	4,325	0	3,002	3,378	63,449
<u>FUND BALANCES</u>						
Nonspendable:						
Inventory	14,553	0	0	0	0	14,553
Restricted for:						
Debt Service	0	0	89,301	0	0	89,301
Food Service	270,751	0	0	0	0	270,751
Committed for:						
Student Activities	0	104,629	0	0	0	104,629
Total Fund Balances	285,304	104,629	89,301	0	0	479,234
TOTAL LIABILITIES AND FUND BALANCES	\$ 338,048	\$ 108,954	\$ 89,301	\$ 3,002	\$ 3,378	\$ 542,683

FOREST AREA COMMUNITY SCHOOLS
FIFE LAKE, MICHIGAN

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

	<u>YEAR ENDED JUNE 30, 2022</u>						
	<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT</u>		<u>CAPITAL PROJECTS</u>	
	<u>FOOD SERVICE FUND</u>			<u>STUDENT</u>	<u>SERVICE FUND</u>	<u>FUNDS</u>	
	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2014</u>	<u>2019</u>
						<u>SINKING</u>	<u>NON-MAJOR GOVERNMENTAL</u>
<u>REVENUES</u>							
Local Sources	\$ 13,256	\$ 76,762	\$ 261,260	\$ 4	\$ 0	\$ 351,282	
State Sources	15,637	0	0	0	0	15,637	
Federal Sources	504,525	0	0	0	0	504,525	
Other	2,275	0	0	0	0	2,275	
Total Revenues	535,693	76,762	261,260	4	0	873,719	
<u>EXPENDITURES</u>							
Supporting Services - Operations and Maintenance	0	0	0	8,025	0	8,025	
Supporting Services - Technology	0	0	0	0	0	0	
Supporting Services - Other Student Activities	0	68,547	0	0	0	68,547	
Food Service	537,152	0	0	0	0	537,152	
Facilities Acquisition, Construction and Improvements	0	0	0	0	0	0	
Debt Service							
Principal	0	0	155,000	0	0	155,000	
Interest and Fees	0	0	118,956	0	0	118,956	
Total Expenditures	537,152	68,547	273,956	8,025	0	887,680	
Excess (Deficiency) of Revenues Over Expenditures	(1,459)	8,215	(12,696)	(8,021)	0	(13,961)	
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In (Out)	(10,800)	0	0	0	0	(10,800)	
Net Change in Fund Balances	(12,259)	8,215	(12,696)	(8,021)	0	(24,761)	
<u>FUND BALANCE - Beginning of Year</u>	297,563	96,414	101,997	8,021	0	503,995	
<u>FUND BALANCE - End of Year</u>	\$ 285,304	\$ 104,629	\$ 89,301	\$ 0	\$ 0	\$ 479,234	

