

WEST BRANCH-ROSE CITY AREA SCHOOLS
WEST BRANCH, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2022



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors





TABLE OF
CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 12
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	15
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balance	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	18
Notes to Financial Statements	19 - 46
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	47
Budgetary Comparison Schedule - Food Service Fund	48
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability	49
Schedule of the Reporting Unit's Pension Contributions	50
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability	51
Schedule of the Reporting Unit's OPEB Contributions	52
Notes to Required Supplementary Information	53
Other Supplemental Information	
Combining Balance Sheet - Nonmajor Governmental Funds	54

TABLE OF
CONTENTS

	<u>Page</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	55
Schedule of Bonded Indebtedness	56
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	57 - 58
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance	59 - 61
Schedule of Findings and Questioned Costs	62 - 64
Summary Schedule of Prior Year Findings	65
Schedule of Expenditures of Federal Awards	66- 68
Notes to the Schedule of Expenditures of Federal Awards	69



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INDEPENDENT AUDITOR'S REPORT

September 9, 2022

Board of Education
West Branch-Rose City Area Schools
West Branch, 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 West Branch-Rose City Area Schools (School District), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of West Branch-Rose City Area Schools as of June 30, 2022 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; 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.



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of West Branch-Rose City Area 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West Branch-Rose City Area 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

U.S. generally accepted accounting principles requires that the management's discussion and analysis, budgetary comparison schedules and pension and OPEB schedules, as noted in the table of contents to 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining non-major fund financial statements, schedule of bonded indebtedness, and schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly for 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 GAAS. In our opinion, the combining non-major fund financial statements, schedule of bonded indebtedness, and schedule of expenditures of federal awards 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 September 9, 2022, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Weinlander Fitzhugh

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Our discussion and analysis of West Branch-Rose City Area Schools' financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2022.

Financial Highlights

The School District's net position increased by \$8,224,773 or 76%. Program revenues were \$10,608,164 or 35% of total revenues, and general revenues were \$19,691,938 or 65%.

The General Fund reported a positive fund balance of \$9,292,210. The Food Service Fund reported a positive fund balance of \$2,109,436.

Using this Annual Financial Report

The annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Food Service Fund, with all other funds presented in one column as nonmajor funds. The following summarizes the presentation included in this annual financial report.

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

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund and Food Service Fund (Required Supplemental Information)

Pension and OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

District-wide Financial Analysis

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

Exhibit A	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Assets		
Current and other assets	\$ 16,836,445	\$ 14,483,637
Capital assets - net of accumulated depreciation	23,470,728	20,946,659
Total assets	<u>40,307,173</u>	<u>35,430,296</u>
Deferred Outflows of Resources		
Related to pensions and OPEB	6,619,614	9,821,756
Liabilities		
Current liabilities	5,285,539	4,521,262
Long-term liabilities	27,077,383	44,348,734
Total liabilities	<u>32,362,922</u>	<u>48,869,996</u>
Deferred Inflows of Resources		
Deferred gain on bond refunding	29,892	47,828
Related to pensions and OPEB	17,157,089	7,182,117
Total deferred inflows of resources	<u>17,186,981</u>	<u>7,229,945</u>
Net Position		
Net investment in capital assets	20,510,524	16,572,334
Restricted	3,283,399	852,033
Unrestricted	<u>(26,417,039)</u>	<u>(28,272,256)</u>
Total net position	<u>\$ (2,623,116)</u>	<u>\$ (10,847,889)</u>

Exhibit A focuses on net position of the School District. The School District's net position was \$(2,623,116) at June 30, 2022. Capital assets, net of related debt totaling \$20,510,524 compares the original costs, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use that net position for day-to-day operations.

The \$(26,417,039) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The School District implemented GASB Statement No. 68 in 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$23,712,798 for 2022 and \$35,545,688 for 2021.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

The School District implemented GASB Statement No. 75 in 2018. The effect of this Statement required the School District to report in the summary of net position, a liability of \$1,507,024 for 2022 and \$5,448,338 for 2021.

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

Exhibit B	Governmental Activities	
	2022	2021
Revenues		
Program revenue:		
Charges for services	\$ 509,047	\$ 176,889
Grants and categoricals	10,099,117	7,670,507
General revenue:		
Property taxes	8,988,046	8,893,182
State aid	10,148,594	10,010,501
Other	555,298	405,255
Total revenues	30,300,102	27,156,334
Function/Program Expenses		
Instruction	11,109,947	12,690,365
Support services	7,196,055	7,678,155
Community services	61,678	56,144
Food services	1,677,742	1,394,068
Athletics	549,459	415,494
Student Activities	304,353	77,708
Interest on long-term debt	11,042	70,543
Depreciation (unallocated)	1,165,053	979,394
Total expenses	22,075,329	23,361,871
Change in Net Position	\$ 8,224,773	\$ 3,794,463

As reported in the statement of activities, the cost of all of our governmental activities this year was \$22,075,329. Certain activities were partially funded from those who benefited from the programs, \$509,047, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$10,099,117. We paid for the remaining "public benefit" portion of our governmental activities with \$8,988,046 in taxes, \$10,148,594 in State aid and with our other revenues, such as interest and entitlements.

The School District had an increase in net position of \$8,224,773. There are two major reasons why this occurred. First, enrollment was better than anticipated and secondly, the district passed a sinking bond in the Fall of 2018. The sinking bond will generate about an additional \$470,000 per year above and beyond what we have received in previous years. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of \$12,878,160, which is above last year's total of \$11,234,962. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2022 and 2021.

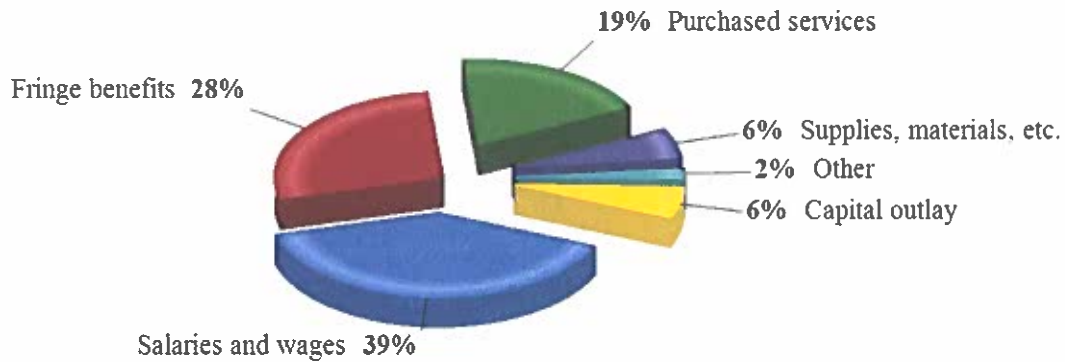
	Fund Balance <u>6/30/2022</u>	Fund Balance <u>6/30/2021</u>	Increase (Decrease)
General	\$ 9,292,210	\$ 8,520,470	\$ 771,740
Special Revenue (Food Service)	2,109,436	1,682,382	427,054
Special Revenue (Student Activities)	280,297	247,205	33,092
Debt Service	222,484	318,019	(95,535)
Capital Projects (Sinking Fund)	973,733	466,886	506,847
	<u>\$ 12,878,160</u>	<u>\$ 11,234,962</u>	<u>\$ 1,643,198</u>

- Our General Fund increased by \$771,740 due to significant additional federal funds (ESSER) to help offset the additional cost associated with safety and non-traditional methods of teaching as a result of COVID-19. The reflexivity of the ESSER funds have allowed us to take the burden off General Fund obligations to some degree, which in return has allowed the General Fund balance to increase.
- Our Food Service Fund increased by \$427,054 due to continued additional federal funding from meals provided to students and prudent management of staffing hours and cost.
- Our Student Activities Fund increased by \$33,092 due to more fund-raising activities as the district navigated through less restrictions related to COVID-19.
- Our Debt Service Fund decreased by \$95,535 as a result of planned spend down of the fund balance. There are only two years left before the debt obligation is fully retired, therefore a plan is developed to achieve a zero-fund balance at the end of the FY 24.
- Our Capital Projects Fund increased by \$506,847 due to little spending out of the Capital Project fund. The spending planned for upcoming years will exceed the annual collection of funds, therefore we are strategically building up the fund to cover costly project in the future.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.

Expenditures



Expenditures by Object:	2022	2021
Salaries and wages	\$ 9,677,195	\$ 8,943,802
Fringe benefits	7,158,443	6,713,359
Purchased services	4,908,181	3,291,713
Supplies, materials, etc.	1,563,989	1,277,562
Capital outlay	1,600,156	1,035,354
Other	484,891	359,021
Total	\$ 25,392,855	\$ 21,620,811

Expenditures are up approximately \$3,772,044 or 17% over the prior year primarily due to significant investment in facilities and staff retention.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Final budgeted revenues were increased by \$5,550,090 due to the financial revenue picture becoming clear as we navigated through the State of Michigan allocation, Federal revenue and student enrollment. When the beginning budgets were developed, they were based on worse-case scenario. Federal and state funds began to flow through to districts in much more favorable fashion than anticipated.
- Final budgeted expenditures were increased by \$2,651,974 due to the district responding to additional state and federal funds available and locking in on actual cost/contracts for facility improvements.
- Budgeted revenues exceeded actual revenues by \$736,308 with a majority of the budgeted federal revenues to include reimbursement for staff retention and attendance incentives. Federal revenues can only be collected after the district has incurred the expense. In this case, budgeted revenue included retirement costs of the extra pay, however, because of the nature of the pay, retirement cost was not incurred leading to budgeted revenues exceeding actual.
- Budgeted expenditures exceeded actual expenditures by \$1,596,748 mainly due to budgeted staff position not filled, partially filled or filled by subs at a much lower rate. WBRC has been experiencing, like other districts, a staff shortage and are filling positions as appropriately as possible. However, because of a conservative approach to budgeting, we continue to budget positions as if they are filled by permanent staff.

Capital Assets

At June 30, 2022, the School District had \$23,470,728 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of 12% from last year.

	2022	2021
Land	\$ 431,424	\$ 431,424
Construction in progress	898,548	1,077,834
Buildings and improvements	36,027,014	33,726,081
Buses and other vehicles	2,806,856	3,087,912
Furniture and equipment	15,285,360	14,228,816
Total capital assets	55,449,202	52,552,067
Less accumulated depreciation	31,978,474	31,605,408
Net capital assets	\$ 23,470,728	\$ 20,946,659

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

This year's addition of \$3,689,122 includes various building improvements, technology upgrades, machinery and equipment and buses.

We anticipate capital additions will continue with the upgrading of boilers, roofs and building systems. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$2,670,000 in bonds outstanding versus \$3,910,000 in the previous year - a decrease of 32%.

	2022	2021
2015 Refunding School Building & Site Bonds	\$ 2,670,000	\$ 3,910,000

Factors Expected to have an Effect on Future Operations

Curriculum and Instruction

The district has been able to maintain and increase programs, including all Career and Technical Education (CTE) programs at the high school, Advanced Placement courses, and academic support programs.

The Mathematics and Language Arts curricula for grades K-12 are aligned to the Common Core State Standards. Both curricular programs have been updated with the purchase of the Pearson/Savvas Realize materials for English Language Arts in grades K-12 and the College Preparatory Mathematics program for grades 6-8 Algebra, Geometry and Algebra II. The Science curriculum has been aligned to the Next Generation Science Standards. Standards have been organized by discipline and taught using Modeling Instruction. Social Studies follows the newly adopted Michigan Standards with instructional materials from McGraw Hill for 5-12 and K-4 writing teacher created resources and Michigan Open Book.

The district has been able to maintain programs, including all Fine Arts courses, Career and Technical Education (CTE) programs and Advanced Placement courses. Students continue to take advantage of additional opportunities including online courses through MI Virtual University, participation in dual enrollment, and attending Early Middle College.

Professional development offerings at the local level have continued to increase as staff members strive to improve instructional strategies. The West Branch-Rose City Area Schools staff is commended for the hard work and dedication that is evident on a daily basis. The district is committed to providing a quality education to all students and sets high academic standards. Teachers are expected to use data on a regular basis to differentiate instruction and increase rigor. Teachers are also expected to make instructional shifts necessary to fully implement new curriculum resources and best practice instructional strategies. Accelerating academic achievement for all students is an expectation at all levels and will be accomplished by strengthening Tier I instruction and providing support for students through frequent progress monitoring, instructional interventions, and extended day and extended year programs.

The district has invested in technology upgrades including purchase of Chromebooks, BenQ boards, webcams and improved wireless access. Title funding was approved for the purchase of technology to support the needs of our students during remote instruction. We took full advantage of the opportunity granted to us by the state and federal government to increase our technology resources district-wide.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Financially, the district continues to face challenges but has experienced an ease in declining enrollment, however, facility needs are continuing to require attention and need to be addressed.

The biggest challenges to the financial future of the district is the continuation of declining enrollment, the increase in retirement and other benefit costs and the rapidly increasing inflation. Although with an anticipated decline in enrollment, the relaxing of COVID-19 restriction could have lead to a more stable enrollment. Inflation and staff retention/recruitment are also challenging for the district. As the pool of candidates for school position gets tighter, the district must find ways to be more attractive for hiring. Typically this comes in the form of competitive wages and benefits which in return stresses the financial future of the district.

The good economic news for the short term of the District are the sound fiscal management practices. With a little easing up of the finances, a frugal approach is still employed with each decision. This practice is engaged to benefit the long term fiscal stability of the district.

West Branch-Rose City Area School District is proud of the fact that the district is fiscally viable, provides excellent instruction for students, exhibits the organizational commitment to improve, and attract School of Choice students, due to quality programs and quality instructors. These goals will continue to be our district's mission.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
West Branch-Rose City Area Schools
P.O. Box 308
West Branch, MI 48661-0308

WEST BRANCH-ROSE CITY AREA SCHOOLS
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 10,768,165
Accounts receivable	15,046
Due from other governmental units	5,774,690
Inventory	167,932
Prepaid expenses	110,612
Capital assets less accumulated depreciation \$31,978,474	<u>23,470,728</u>
Total assets	<u>40,307,173</u>
<u>Deferred Outflows of Resources</u>	
Related to pensions	4,776,298
Related to OPEB	<u>1,843,316</u>
Total deferred outflows of resources	<u>6,619,614</u>
<u>Liabilities</u>	
Accounts payable	896,740
Accrued interest payable	22,254
Accrued payroll and other liabilities	1,846,168
Unearned revenue	1,215,377
Long-term liabilities:	
Due within one year	1,305,000
Due in more than one year	1,857,561
Net pension liability	23,712,798
Net OPEB liability	<u>1,507,024</u>
Total liabilities	<u>32,362,922</u>
<u>Deferred Inflows of Resources</u>	
Related to pensions	10,905,189
Related to OPEB	6,251,900
Deferred gain on bond refunding	<u>29,892</u>
Total deferred inflows of resources	<u>17,186,981</u>
<u>Net Position</u>	
Net investment in capital assets	20,510,524
Restricted for debt service	200,230
Restricted for capital projects	973,733
Restricted for food service	2,109,436
Unrestricted	<u>(26,417,039)</u>
Total net position	<u>\$ (2,623,116)</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Statement of Activities
For the Year Ended June 30, 2022

	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government -				
Governmental activities:				
Instruction	\$ 11,109,947	\$ 0	\$ 8,026,601	\$ (3,083,346)
Support services	7,196,055	53,081	0	(7,142,974)
Community services	61,678	0	0	(61,678)
Food services	1,677,742	95,725	2,072,516	490,499
Athletics	549,459	32,098	0	(517,361)
Student Activities	304,353	328,143	0	23,790
Interest on long-term debt	11,042	0	0	(11,042)
Depreciation (unallocated)	1,165,053	0	0	(1,165,053)
Total governmental activities	<u>\$ 22,075,329</u>	<u>\$ 509,047</u>	<u>\$ 10,099,117</u>	<u>(11,467,165)</u>
 General revenues:				
Taxes:				
Property taxes, levied for general purposes				7,150,260
Property taxes, levied for capital projects				523,461
Property taxes, levied for debt services				1,314,325
State aid				10,148,594
Interest and investment earnings				2,660
Other				552,638
Total general revenues				<u>19,691,938</u>
Change in net position				8,224,773
Net position - beginning of year				<u>(10,847,889)</u>
Net position - end of year				<u>\$ (2,623,116)</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2022

	General	Food Service	Other Nonmajor Governmental Funds	Total
<u>Assets</u>				
Cash and investments	\$ 7,776,870	\$ 1,535,910	\$ 1,455,385	\$ 10,768,165
Receivables - net:				
Accounts receivable	13,398	1,648	0	15,046
Due from other funds	32,360	562,204	0	594,564
Due from other governmental units	5,753,561	0	21,129	5,774,690
Inventory	123,716	44,216	0	167,932
Prepaid expenditures	33,612	77,000	0	110,612
 Total assets	<u>\$ 13,733,517</u>	<u>\$ 2,220,978</u>	<u>\$ 1,476,514</u>	<u>\$ 17,431,009</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 817,558	\$ 79,182	\$ 0	\$ 896,740
Due to other funds	562,204	32,360	0	594,564
Accrued payroll and other liabilities	1,846,168	0	0	1,846,168
Unearned revenue	1,215,377	0	0	1,215,377
 Total liabilities	<u>4,441,307</u>	<u>111,542</u>	<u>0</u>	<u>4,552,849</u>
<u>Fund Balance</u>				
Nonspendable - inventory	123,716	44,216	0	167,932
Nonspendable - prepaid	33,612	77,000	0	110,612
Restricted for debt service	0	0	222,484	222,484
Restricted for capital projects	0	0	973,733	973,733
Restricted for food service	0	1,988,220	0	1,988,220
Committed for student activities	0	0	280,297	280,297
Unassigned	9,134,882	0	0	9,134,882
	<u>9,292,210</u>	<u>2,109,436</u>	<u>1,476,514</u>	<u>12,878,160</u>
 Total liabilities and fund balance	<u>\$ 13,733,517</u>	<u>\$ 2,220,978</u>	<u>\$ 1,476,514</u>	<u>\$ 17,431,009</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022

Total fund balance - governmental funds	\$ 12,878,160
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	55,449,202
Accumulated depreciation	(31,978,474)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:	
Related to pensions	4,776,298
Related to OPEB	1,843,316
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(2,670,000)
Compensated absences	(202,357)
Bond premium	(290,204)
Net pension liability	(23,712,798)
Net OPEB liability	(1,507,024)
Accrued interest payable is included as a liability in governmental activities	(22,254)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:	
Related to pensions	(10,905,189)
Related to OPEB	(6,251,900)
Deferred gain on refunding	<u>(29,892)</u>
Total net position - governmental activities	<u>\$ (2,623,116)</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2022

	<u>General</u>	<u>Food Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Revenues</u>				
Local sources	\$ 7,717,687	\$ 96,833	\$ 2,166,613	\$ 9,981,133
State sources	14,366,261	42,782	34,258	14,443,301
Federal sources	4,067,722	2,029,733	0	6,097,455
Total revenues	<u>26,151,670</u>	<u>2,169,348</u>	<u>2,200,871</u>	<u>30,521,889</u>
<u>Expenditures</u>				
Current:				
Instruction	13,325,119	0	0	13,325,119
Support services	12,006,058	0	3,225	12,009,283
Community services	61,678	0	0	61,678
Capital outlay	0	0	13,389	13,389
Food services	0	1,729,369	0	1,729,369
Student activities	0	0	295,374	295,374
Debt service:				
Principal	0	0	1,240,000	1,240,000
Interest and other	0	0	195,500	195,500
Miscellaneous	0	0	8,979	8,979
Total expenditures	<u>25,392,855</u>	<u>1,729,369</u>	<u>1,756,467</u>	<u>28,878,691</u>
Excess (deficiency) of revenues over expenditures	<u>758,815</u>	<u>439,979</u>	<u>444,404</u>	<u>1,643,198</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	25,695	12,770	0	38,465
Operating transfers out	(12,770)	(25,695)	0	(38,465)
Total other financing sources (uses)	<u>12,925</u>	<u>(12,925)</u>	<u>0</u>	<u>0</u>
Net change in fund balance	771,740	427,054	444,404	1,643,198
Fund balance - beginning of year	<u>8,520,470</u>	<u>1,682,382</u>	<u>1,032,110</u>	<u>11,234,962</u>
Fund balance - end of year	<u>\$ 9,292,210</u>	<u>\$ 2,109,436</u>	<u>\$ 1,476,514</u>	<u>\$ 12,878,160</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balance - total governmental funds	\$ 1,643,198
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(1,165,053)
Capital outlay	3,689,122
Repayment on bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	
	1,240,000
The issuance of long-term debt (e.g. bonds) provide current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items as follows:	
Amortization of bond premium	174,121
Amortization of gain on refunding	17,936
Decreases in compensated absences are reported as a reduction in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6	
	18,026
Accrued interest is reported as a reduction in expenses on the Statement of Activities	
	10,333
Some revenues and expenses reported in the statement of activities are not recognized as or require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Pension related items	913,321
OPEB related items	1,683,769
Change in net position of governmental activities	<u>\$ 8,224,773</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Branch-Rose City Area Schools (School District) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The West Branch-Rose City Area Schools (School District) was consolidated in 1966. The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes, intergovernmental payments and other items that are not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Amounts reported as program revenue include; (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is 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.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Food Service Fund - The Food Service Fund is used to record the food service operations of the School District pertaining to the School Districts breakfast and lunch programs. Included are all transactions related to the approved current operating budget.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	10-50 years
Furniture and fixtures	8-20 years
Technological equipment	5-10 years
Other equipment	5-20 years
Vehicles and buses	5-10 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined Benefit Plan - For purposes of measuring the net pension and other postemployment benefit liability, 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 Systems (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources

Deferred Outflows - 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. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and other postemployment benefits contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This 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. There are deferred gain on bond refunding and pension and other postemployment benefits contributions reported in the district-wide statement of net position. The School District reports deferred inflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period.

Use of Estimates - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles 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.

Property Taxes - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Aid - For the fiscal year ended June 30, 2022, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2022, the foundation allowance was based on the average pupil membership counts taken in February 2021 and October 2021.

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 (currently the fiscal year) and is funded through payments from October 2021 - August 2022. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2022 relating to state aid is \$2,437,122.

The School 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 categorical 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 deferred revenue. Other categorical funding is recognized when the appropriation is received.

Events Occurring After Reporting Date

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 2 - BUDGETS (CONTINUED)

West Branch-Rose City Area Schools follow these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund and Food Service Fund are presented as Required Supplemental Information.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund and Food Service Fund are noted in the required supplementary information section.

NOTE 3 - CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Primary Government</u>
Cash and cash equivalents	<u>\$ 10,768,165</u>

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2022, \$2,028,764 of the School District's bank balance of \$9,640,006 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

Interest rate risk. In accordance with its investment policy, the School 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 School District's cash requirements.

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
Huntington Bank - Goldman Sachs Funds	<u>\$ 2,612,291</u>	N/A

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating Agency</u>
Huntington Bank - Goldman Sachs Funds	\$ <u>2,612,291</u>	AAAm	Standard & Poor's

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

Fair value measurement. The School 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 prices for similar securities, 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 School District's own assumptions about the factors market participants would use in pricing an investment 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 School 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 School District is Huntington Bank - Goldman Sachs funds. Huntington Bank - Goldman Sachs funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximates fair value. The Goldman Sachs funds requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

	Amortized Cost
Huntington Bank - Goldman Sachs Funds	<u>\$ 2,612,291</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.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2022</u>
Assets not being depreciated:				
Land	\$ 431,424	\$ 0	\$ 0	\$ 431,424
Construction in progress	<u>1,077,834</u>	<u>898,548</u>	<u>(1,077,834)</u>	<u>898,548</u>
Subtotal	<u>1,509,258</u>	<u>898,548</u>	<u>(1,077,834)</u>	<u>1,329,972</u>
Capital assets being depreciated:				
Buildings and improvements	33,726,081	2,300,933	0	36,027,014
Buses and other vehicles	3,087,911	464,686	(745,741)	2,806,856
Furniture and equipment	<u>14,228,816</u>	<u>1,102,790</u>	<u>(46,246)</u>	<u>15,285,360</u>
Subtotal	<u>51,042,808</u>	<u>3,868,409</u>	<u>(791,987)</u>	<u>54,119,230</u>
Accumulated depreciation:				
Buildings and improvements	17,714,002	819,114	0	18,533,116
Buses and other vehicles	2,196,040	206,936	(745,741)	1,657,235
Furniture and equipment	<u>11,695,366</u>	<u>139,003</u>	<u>(46,246)</u>	<u>11,788,123</u>
Subtotal	<u>31,605,408</u>	<u>1,165,053</u>	<u>(791,987)</u>	<u>31,978,474</u>
Net capital assets being depreciated	<u>19,437,400</u>	<u>2,703,356</u>	<u>0</u>	<u>22,140,756</u>
Net capital assets	<u>\$ 20,946,658</u>	<u>\$ 3,601,904</u>	<u>\$ (1,077,834)</u>	<u>\$ 23,470,728</u>

Depreciation expense for fiscal year ended June 30, 2022 was \$1,165,053. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2022 are as follows:

		<u>Payables</u>		
		<u>General</u>	<u>Food Service</u>	<u>Total</u>
Receivables	General	\$ 0	\$ 32,360	\$ 32,360
	Food Service	<u>562,204</u>	<u>0</u>	<u>562,204</u>
		<u>\$ 562,204</u>	<u>\$ 32,360</u>	<u>\$ 594,564</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

A summary of interfund transfers made during the year ended June 30, 2022 are as follows:

		Transfers Out		
		General	Food Service	Total
Transfers In	General	\$ 0	\$ 25,695	\$ 25,695
	Food Service	12,770	0	12,770
		\$ 12,770	\$ 25,695	\$ 38,465

These interfund receivable and payable balances resulted from the time lag between the dates that; (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The interfund transfers resulted from indirect cost reimbursement from Food Service to General Fund and At-Risk breakfast transfer from General Fund to Food Service.

NOTE 6 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$1,215,377.

NOTE 7 - LONG-TERM OBLIGATIONS

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

	Balance	Additions	Retirements	Balance	Amount Due
	June 30, 2021		and Payments	June 30, 2022	Within One Year
General obligation bonds	\$ 4,374,325	\$ 0	\$ 1,414,121	\$ 2,960,204	\$ 1,305,000
Compensated absences	220,383	0	18,026	202,357	0
	\$ 4,594,708	\$ 0	\$ 1,432,147	\$ 3,162,561	\$ 1,305,000

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Long-term obligations at June 30, 2022 is comprised of the following issues:

General obligation bonds:

\$10,245,000, 2015 Refunding of School Building & Site Bonds due in annual installments of \$950,000 to \$1,365,000 through May 1, 2024; interest at 3.00% to 5.00%	\$ 2,670,000
Bond premium	<u>290,204</u>
Total bonded debt	<u>\$ 2,960,204</u>

Compensated absences (unused sick pay) is calculated using the termination payoff rate of \$85 for eligible certified personnel for every two unused days (maximum 189 days) and 20% of the pay rate for eligible hourly personnel times the number of unused days (maximum of 104 days). At June 30, 2022, the amount of \$202,357 has been recorded in the district-wide financial statements.

The annual debt service requirements on long-term debt as of June 30, 2022, including interest payments are as follows:

<u>Year Ended June 30</u>	General Obligation Bonds		
	Principal	Interest	Total
2023	\$ 1,305,000	\$ 133,500	\$ 1,438,500
2024	1,365,000	68,250	1,433,250
	\$ 2,670,000	\$ 201,750	\$ 2,871,750

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation. Since the School District began participating in the SET-SEG program, settled claims have not exceeded the amount of insurance coverage.

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) 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. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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

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

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPERS 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 the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they 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 thereafter would include a 1.25% pension factor.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

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

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

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

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

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 contribution 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.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Benefits Provided – Other postemployment benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

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

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

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

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

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

The School District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$3,402,000. Of the total pension contributions approximately \$3,293,000 was contributed to fund the Defined Benefit Plan and approximately \$109,000 was contributed to fund the Defined Contribution Plan.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

The School District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$774,000. Of the total OPEB contributions approximately \$713,000 was contributed to fund the Defined Benefit Plan and approximately \$61,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

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 School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-University Employers:</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan Fiduciary Net Position	\$ 62,717,060,920	\$ 50,939,496,006
Net Pension Liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate share	0.10016 %	0.10348 %
Net Pension liability for the School District	\$ 23,712,798	\$ 35,545,688

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

For the year ended June 30, 2022, the School District recognized pension expense of approximately \$751,000.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 367,321	\$ (139,640)
Net difference between projected and actual earnings on pension plan investments	0	(7,623,588)
Changes in assumptions	1,494,770	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,567	(1,573,765)
Unearned revenue related to pension portion of section 147 c	0	(1,568,196)
School District's contributions subsequent to the measurement date	<u>2,878,640</u>	<u>0</u>
Total	<u>\$ 4,776,298</u>	<u>\$ (10,905,189)</u>

\$2,878,640, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30	<u>Amount</u>
2023	\$ (1,218,919)
2024	(1,857,655)
2025	(2,203,618)
2026	(2,159,143)
	<u>\$ (7,439,335)</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

OPEB Liabilities

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 School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers:	September 30, 2021	September 30, 2020
Total OPEB Liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan Fiduciary Net Position	\$ 10,520,015,621	\$ 7,849,636,555
Net OPEB Liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.09873 %	0.10170 %
Net OPEB liability for the School District	\$ 1,507,024	\$ 5,448,338

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

For the year ended June 30, 2022, the School District recognized OPEB expense of approximately \$(958,693).

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ 0	\$ (4,301,691)
Net difference between projected and actual plan investments	0	(1,135,871)
Changes in assumption	1,259,797	(188,513)
Changes in proportion and differences between employer contributions and proportionate share of contributions	50,475	(625,825)
School District's contributions subsequent to the measurement date	533,044	0
Total	\$ 1,843,316	\$ (6,251,900)

\$533,044, reported as deferred outflows of resources related to OPEB resulting from School 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:

Year Ended June 30	Amount
2023	\$ (1,265,058)
2024	(1,183,291)
2025	(1,097,551)
2026	(1,007,650)
2027	(343,062)
Thereafter	(45,016)
	\$ (4,941,628)

Actuarial Assumptions

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

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

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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:

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

*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 amount actually invested.

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net pension liability	<u>\$33,902,871</u>	<u>\$23,712,798</u>	<u>\$15,264,560</u>

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

	Other postemployment benefit		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net OPEB liability	<u>\$2,800,322</u>	<u>\$1,507,024</u>	<u>\$409,475</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.0%), as well as what the School 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:

	Other postemployment benefit		
	1% Decrease	Current Healthcare cost trend rates	1% Increase
School District's proportionate share of the net OPEB liability	<u>\$366,798</u>	<u>\$1,507,024</u>	<u>\$2,789,915</u>

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 Comprehensive Annual Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are included in the financial statements as a liability titled accrued payroll and payroll liabilities. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

NOTE 10 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 11 - ECONOMIC DEPENDENCY

The School District received approximately 54% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NOTE 12 - RECEIVABLES

Receivables at June 30, 2022 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

Federal grants	\$ 2,643,055
State aid and grants	2,437,122
COOR ISD	583,292
Other governments	<u>111,221</u>
	<u>\$ 5,774,690</u>

NOTE 13 - BOND AND SINKING FUND COMPLIANCE

The School District passed in 2018 a sinking fund levy at .67 mills for an eight year period. The activity related to the sinking fund is recorded in the Capital Projects Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2022.

For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

NOTE 14 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the fund level.

During the year ended June 30, 2022, the School District incurred expenditures greater than the amount appropriated, as follows:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures			
General Fund:			
Transportation	\$ 1,797,401	\$ 1,916,659	\$ (119,258)
Food Service			
Food services	\$ 1,664,097	\$ 1,729,369	\$ (65,272)

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 15 - TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
City of West Branch	\$ 136,434
City of Rose City	3,704
Ogemaw Township	3,768
West Branch Township	<u>2,298</u>
	<u>\$ 146,204</u>

The taxes abated for the General Fund operating millage is considered by the State of Michigan when determining the School District's section 22 funding of the State School Aid Act.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENT

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 School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 7,283,700	\$ 7,615,663	\$ 7,717,687	\$ 102,024
State sources	11,829,511	14,449,555	14,366,261	(83,294)
Federal sources	2,224,677	4,822,760	4,067,722	(755,038)
Total revenues	<u>21,337,888</u>	<u>26,887,978</u>	<u>26,151,670</u>	<u>(736,308)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	10,346,947	11,519,502	10,661,239	858,263
Added needs	3,118,782	2,915,644	2,663,880	251,764
Support services:				
Pupil	1,169,613	1,051,621	876,353	175,268
Instructional staff	607,737	877,873	631,391	246,482
General administrative	406,519	455,862	440,280	15,582
School administrative	1,356,523	1,337,319	1,306,983	30,336
Business services	389,458	550,181	538,286	11,895
Operations and maintenance	4,272,083	4,999,193	4,944,863	54,330
Transportation	1,587,256	1,797,401	1,916,659	(119,258)
Information services	518,233	834,717	801,784	32,933
Athletics	506,442	567,789	549,459	18,330
Community services	58,036	82,501	61,678	20,823
Total expenditures	<u>24,337,629</u>	<u>26,989,603</u>	<u>25,392,855</u>	<u>1,596,748</u>
Excess (deficiency) of revenues over expenditures	<u>(2,999,741)</u>	<u>(101,625)</u>	<u>758,815</u>	<u>860,440</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	10,300	8,300	25,695	17,395
Operating transfers out	(11,390)	(11,390)	(12,770)	(1,380)
Total other financing sources (uses)	<u>(1,090)</u>	<u>(3,090)</u>	<u>12,925</u>	<u>16,015</u>
Net change in fund balance	(3,000,831)	(104,715)	771,740	876,455
Fund balance - beginning of year	<u>8,520,470</u>	<u>8,520,470</u>	<u>8,520,470</u>	<u>0</u>
Fund balance - end of year	<u>\$ 5,519,639</u>	<u>\$ 8,415,755</u>	<u>\$ 9,292,210</u>	<u>\$ 876,455</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Required Supplemental Information
 Budgetary Comparison Schedule - Food Service Fund
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Favorable (Unfavorable)</u>
Revenues				
Local sources	\$ 79,521	\$ 84,878	\$ 96,833	\$ 11,955
State sources	30,000	34,250	42,782	8,532
Federal sources	<u>1,479,787</u>	<u>1,932,469</u>	<u>2,029,733</u>	<u>97,264</u>
Total revenues	<u>1,589,308</u>	<u>2,051,597</u>	<u>2,169,348</u>	<u>117,751</u>
Expenditures				
Food services	<u>1,453,458</u>	<u>1,664,097</u>	<u>1,729,369</u>	<u>(65,272)</u>
Total expenditures	<u>1,453,458</u>	<u>1,664,097</u>	<u>1,729,369</u>	<u>(65,272)</u>
Excess (deficiency) of revenues over expenditures	<u>135,850</u>	<u>387,500</u>	<u>439,979</u>	<u>52,479</u>
Other Financing Sources (Uses)				
Operating transfers in	11,390	11,390	12,770	1,380
Operating transfers out	<u>(8,300)</u>	<u>(8,300)</u>	<u>(25,695)</u>	<u>(17,395)</u>
Total other financing sources (Uses)	<u>3,090</u>	<u>3,090</u>	<u>(12,925)</u>	<u>(16,015)</u>
Net change in fund balance	138,940	390,590	427,054	36,464
Fund balance - beginning of year	<u>1,682,382</u>	<u>1,682,382</u>	<u>1,682,382</u>	<u>0</u>
Fund balance - end of year	<u>\$ 1,821,322</u>	<u>\$ 2,072,972</u>	<u>\$ 2,109,436</u>	<u>\$ 36,464</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Required Supplemental Information
 Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability
 Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.10016 %	0.10348 %	0.10748 %	0.10728 %	0.10660 %	0.10546 %	0.10498 %	0.11020 %
Reporting unit's proportionate share of net pension liability	\$ 23,712,798	\$ 35,545,688	\$ 35,592,736	\$ 32,251,591	\$ 27,624,745	\$ 26,312,395	\$ 25,640,257	\$ 24,273,823
Reporting unit's covered-employee payroll*	\$ 8,988,522	\$ 9,059,372	\$ 9,431,041	\$ 9,203,060	\$ 8,957,269	\$ 8,298,261	\$ 8,751,899	\$ 9,352,750
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	37.90578 %	25.48656 %	26.49709 %	28.53521 %	32.42480 %	31.53746 %	34.13343 %	38.53019 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	62.92000 %	66.15000 %

* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Required Supplemental Information
 Schedule of the Reporting Unit's Pension Contributions
 Michigan Public School Employees Retirement Plan

Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 3,292,846	\$ 2,965,258	\$ 2,834,660	\$ 2,924,685	\$ 2,719,937	\$ 2,480,787	\$ 2,346,604	\$ 2,044,593
Contributions in relation to statutorily required contributions*	<u>3,292,846</u>	<u>2,965,258</u>	<u>2,834,660</u>	<u>2,924,685</u>	<u>2,719,937</u>	<u>2,480,787</u>	<u>2,346,604</u>	<u>2,044,593</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 9,092,964	\$ 8,902,319	\$ 9,213,275	\$ 9,484,733	\$ 9,051,832	\$ 8,826,542	\$ 8,608,188	\$ 9,260,225
Contributions as a percentage of covered-employee payroll	36.21 %	33.31 %	30.77 %	30.84 %	30.05 %	28.11 %	27.26 %	22.08 %

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

** The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pensions and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

WEST BRANCH-ROSE CITY AREA SCHOOLS

Required Supplemental Information

Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan

Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.09873 %	0.10170 %	0.10753 %	0.10795 %	0.10648 %
Reporting unit's proportionate share of net OPEB liability	\$ 1,507,024	\$ 5,448,338	\$ 7,718,526	\$ 8,580,828	\$ 9,429,582
Reporting unit's covered-employee payroll*	\$ 8,988,522	\$ 9,059,372	\$ 9,431,041	\$ 9,203,060	\$ 8,957,269
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	596.44186 %	166.27772 %	122.18707 %	107.25142 %	94.99116 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33000 %	59.44000 %	48.46000 %	42.95000 %	36.39000 %

* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

WEST BRANCH-ROSE CITY AREA SCHOOLS

Required Supplemental Information

Schedule of the Reporting Unit's OPEB Contributions
Michigan Public School Employees Retirement Plan

Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 712,734	\$ 711,897	\$ 713,819	\$ 767,006	\$ 729,719
Contributions in relation to statutorily required contributions*	712,734	711,897	713,819	767,006	729,719
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Reporting unit's covered-employee payroll**	\$ 9,092,964	\$ 8,902,319	\$ 9,213,275	\$ 9,484,733	\$ 9,051,832
Contributions as a percentage of covered-employee payroll	7.84 %	8.00 %	7.75 %	8.09 %	8.06 %

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

** The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2022

Changes of benefit terms: There were no changes of benefit terms in 2021.

Changes of assumptions: There were no changes of assumptions for the pension in 2021.

The assumption changes for 2021 for OPEB 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.

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Other Supplemental Information
 Combining Balance Sheet
 Nonmajor Governmental Funds
June 30, 2022

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>Student Activities</u>	<u>2015 Debt Retirement</u>	<u>Sinking Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash and investments	\$ 280,297	\$ 207,093	\$ 967,995	\$ 1,455,385
Receivables - net:				
Due from other governmental units	0	15,391	5,738	21,129
Total assets	<u>\$ 280,297</u>	<u>\$ 222,484</u>	<u>\$ 973,733</u>	<u>\$ 1,476,514</u>
<u>Fund Balance</u>				
<u>Fund Balance</u>				
Committed for student activities	\$ 280,297	\$ 0	\$ 0	\$ 280,297
Restricted for debt service	0	222,484	0	222,484
Restricted for capital projects	0	0	973,733	973,733
Total fund balance	280,297	222,484	973,733	1,476,514
	<u>\$ 280,297</u>	<u>\$ 222,484</u>	<u>\$ 973,733</u>	<u>\$ 1,476,514</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>Student Activities</u>	<u>2015 Debt Retirement</u>	<u>Sinking Fund</u>	<u>Total</u>
<u>Revenues</u>				
Local sources	\$ 328,466	\$ 1,314,686	\$ 523,461	\$ 2,166,613
State sources	0	34,258	0	34,258
Total revenues	<u>328,466</u>	<u>1,348,944</u>	<u>523,461</u>	<u>2,200,871</u>
<u>Expenditures</u>				
Current:				
Support services	0	0	3,225	3,225
Capital outlay	0	0	13,389	13,389
Student activities	295,374	0	0	295,374
Debt service:				
Principal	0	1,240,000	0	1,240,000
Interest and other	0	195,500	0	195,500
Miscellaneous	0	8,979	0	8,979
Total expenditures	<u>295,374</u>	<u>1,444,479</u>	<u>16,614</u>	<u>1,756,467</u>
Net change in fund balance	33,092	(95,535)	506,847	444,404
Fund balance - beginning of year	<u>247,205</u>	<u>318,019</u>	<u>466,886</u>	<u>1,032,110</u>
Fund balance - end of year	<u>\$ 280,297</u>	<u>\$ 222,484</u>	<u>\$ 973,733</u>	<u>\$ 1,476,514</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2015 Refunding Bonds
For the Year Ended June 30, 2022

PURPOSE

The School District issued the 2015 Refunding General Obligation School Building and Site Bond Issue on March 28, 2015, in the amount of \$10,245,000 plus a premium of \$1,567,091 for a net issuance of \$11,812,091. The principal and interest on this bond issue is financed primarily from property taxes. The bonds, dated March 28, 2015, which bear interest at 3 to 5 percent are due serially through 2024. The bond proceeds were used to refund the 2005 General Obligation School Building and Site Bond Issue for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, furnishing and re-furnishing, equipping and re-equipping existing school facilities; acquiring, installing and equipping technology for school facilities; replacing bleachers and construction of a press box at the high school football field; and developing and improving sites.

DATE OF ISSUE

March 28, 2015

AMOUNT OF ISSUE

\$ 10,245,000

AMOUNT OF REDEEMED

During prior years	\$ 6,335,000	
During current year	1,240,000	7,575,000

BALANCE OUTSTANDING - June 30, 2022

\$ 2,670,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	4.00%	\$ 1,305,000	\$ 133,500	\$ 1,438,500
2024	4.00%	1,365,000	68,250	1,433,250
		\$ 2,670,000	\$ 201,750	\$ 2,871,750



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

September 9, 2022

Board of Education
West Branch-Rose City Area Schools
West Branch, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of West Branch-Rose City Area Schools (School District), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise West Branch-Rose City Area Schools' basic financial statements and have issued our report thereon dated September 9, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Branch-Rose City Area Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of West Branch-Rose City Area Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of West Branch-Rose City Area Schools' internal control.

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Branch-Rose City Area Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Weinlander Fitzhugh



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

September 9, 2022

Board of Education
West Branch-Rose City Area Schools
West Branch, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited West Branch-Rose City Area Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of West Branch-Rose City Area Schools' major federal programs for the year ended June 30, 2022. West Branch-Rose City Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, West Branch-Rose City Area Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to West Branch-Rose City Area Schools' federal programs.

Auditor's Responsibility for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on West Branch-Rose City Area Schools' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. West Branch-Rose City Area Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

West Branch-Rose City Area Schools is responsible for preparing a corrective action plan to address the audit finding included in our auditor's report. West Branch-Rose City Area Schools' corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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

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

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

Weinlander Fitzhugh

WEST BRANCH-ROSE CITY AREA SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO
<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NONE REPORTED
<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO

Noncompliance material to financial statements noted?

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO
<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NONE REPORTED

Type of auditor's report issued on compliance of major programs:

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

YES NO

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)
10.553, 10.555, 10.559 and 10.582	Child Nutrition Cluster
84.425U	COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

YES NO

SECTION II - Financial Statement Findings

There are no matters reported.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION III - Federal Award Findings and Questioned Costs

2022-001 (Repeat Finding 2021-001)

Program

Nutrition Cluster - National School Breakfast and National School Lunch, U.S. Department of Agriculture, passed through Michigan Department of Education. ALN # 10.553, 10.555, 10.559 and 10.582. Federal register section 7 CFR Part 210.14b requires School Districts to limit its School Breakfast and Lunch fund net resources to an amount that does not exceed three months of average expenditures.

Criteria

The School District's net cash resources exceeded three months of average expenditures at June 30, 2022.

Condition

The School District did not meet the three months of average expenditure test at June 30, 2022.

Questioned costs

None.

Context

Management is required to monitor net cash resources and their spend down plan to ensure that they do not exceed three months of average expenditures.

Effect

The School District's net cash resources were in excess of three months over expenditures by \$1,539,648.

Cause

Management did not monitor net cash resources and their spend down plan to ensure that they did not exceed three months of average expenditures.

Recommendation

We recommend that the School District review their Food Service Fund's net cash resources periodically throughout the school year to ensure that the fund will not have an excess of three months of average expenditures at the fiscal year end and that the School District closely monitors their spend down plan with the Michigan Department of Education. The School District should also take this requirement into consideration when preparing the annual budget and any subsequent adjustments to the budget.

Views of the Responsible Officials and Planned Corrective Action

The Superintendent, Director of Finance and Food Service Director have met with the Board of Education to seek approval for kitchen remodeling projects. The district Architect is working on a remodeling plan that should be completed during the 2022-2023 school year with major construction starting in the 2023/2024 continuing through 2024/2025 school year with completion set for the start of the 2025/2026 school year.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-002

Program

Nutrition Cluster - National School Breakfast and National School Lunch, U.S. Department of Agriculture, passed through Michigan Department of Education. ALN # 10.553, 10.555, 10.559 and 10.582.

Criteria

School Districts should have controls in place to properly reflect anticipated revenues and expenditures based on historical and projected information, in the budget.

Condition

The School District did not properly budget for the food service expenditures, resulting in budget violations.

Questioned costs

None.

Context

The budget is used to monitor financial performance and reasonableness of financial reports.

Effect

Unfavorable budget variances exist for food service expenditures.

Cause

The revenues and expenditures were not being monitored in comparison with budget to actual activity.

Recommendation

The School District should closely monitor the activity and amend if needed as required to be in accordance with the budgetary standards established by the State of Michigan.

Views of the Responsible Officials and Planned Corrective Action

The Superintendent, Director of Finance and Food Service Director will meet regularly to review food service revenue and expenditures during the course of the year. Adjustments will be made as deemed necessary.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2022

2021-001

Audit Finding

The School District did not meet the three months of average expenditures test at June 30, 2021.

Corrective Action Taken

The School District implemented a corrective action plan, but due to the additional funding received with the Unanticipated School Closure Summer Food Service Program, the School District still did not meet the three months of average expenditures test for the current year.

WEST BRANCH-ROSE CITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor Program Title Grant Number	Federal ALN Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Adjustments	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022
U.S. Department of Agriculture Passed through Michigan Department of Education: Child Nutrition Cluster:								
Seamless Summer Option (SSO) Breakfast 221971	10.553	\$ 556,547	\$ 0	\$ 0	\$ 0	\$ 537,900	\$ 556,547	\$ 18,647
Seamless Summer Option (SSO) Lunch 211961	10.555	138,946	0	0	0	138,946	138,946	0
211980		2,565	0	0	0	2,565	2,565	0
220910		41,183	0	0	0	41,183	41,183	0
221961		927,439	0	0	0	893,695	927,439	33,744
221980		15,600	0	0	0	15,224	15,600	376
						1,091,613	1,125,733	34,120
Non-Cash Assistance (Commodities) Entitlement	10.555	95,461	0	0	0	95,461	95,461	0
SFSP Operating 210904	10.559	1,611,560	1,488,189	108,328	0	231,699	123,371	0
Fresh Fruit and Vegetable Program 210904	10.582	8,056	0	0	0	8,056	8,056	0
Total Child Nutrition Cluster		1,488,189	1,488,189	108,328	0	1,964,729	1,909,168	52,767
CACFP Meals 211920	10.558	18,425	1,771	0	0	16,654	16,654	0
211925		994	0	0	0	994	994	0
212010		1,283	109	0	0	1,174	1,174	0
221920		90,842	0	0	0	88,049	90,842	2,793
222010		6,144	0	0	0	5,946	6,144	198
			1,880	0	0	112,817	115,808	2,991
Pandemic EBT Local Level Cost 210980	10.649	3,063	0	0	0	3,063	3,063	0
Total U.S. Department of Agriculture		1,490,069	1,490,069	108,328	0	2,080,609	2,028,039	55,758

See accompanying notes to Schedule of Expenditures of Federal Award:

WEST BRANCH-ROSE CITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal ALN Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Adjustments	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022
U.S. Department of Education Passed through Michigan Department of Education; ECIA Title I - Improving Basic Programs Project 211530-2021 Project 221530-2122	84.010	\$ 708,957 698,022	\$ 568,313 0 568,313	\$ 303,737 0 303,737	\$ 0 0 0	\$ 325,070 222,923 547,993	\$ 21,333 569,739 591,072	\$ 0 346,816 346,816
Title V-Part B: Project 210660-2021 Project 220660-2122	84.358	38,155 21,500	37,507 0 37,507	37,507 0 37,507	0 0 0	38,155 0 38,155	648 21,500 22,148	0 21,500 21,500
Improving Teacher Quality Project 210520-2021 Project 210534-2021 Project 210534-2022 Project 220520-2122	84.367	132,933 8,039 1,961 191,091	11,686 0 0 0 11,686	10,441 0 0 0 10,441	0 0 0 0 0	33,211 8,039 0 2,575 43,825	22,770 8,039 1,961 23,586 56,356	0 0 1,961 21,011 22,972
Title IV Part A: Project 210750-2021 Project 210775-2022 Project 220750-2122	84.424	78,217 4,327 30,751	55,789 0 0 55,789	16,605 0 0 16,605	0 0 0 0	20,614 0 0 20,614	4,009 4,327 30,751 39,087	0 4,327 30,751 35,078
Education Stabilization Fund COVID-19 Governor's Emergency Educator Relief Fund (GEER K-12) Project 201200-2021 Project 211202-2122	84.425C	123,256 27,250	123,195 0 123,195	79,018 0 79,018	0 0 0	79,018 27,250 106,268	0 27,250 27,250	0 0 0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula) Project 203710-1920 Project 213712-2021	84.425D	527,931 2,008,112	527,931 0 527,931	256,012 0 256,012	0 0 0	256,012 1,151,622 1,407,634	0 2,008,112 2,008,112	0 856,490 856,490

See accompanying notes to Schedule of Expenditures of Federal Award:

WEST BRANCH-ROSE CITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal ALN Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Adjustments	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022
U.S. Department of Education Passed through Michigan Department of Education: COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Project 213713-2122	84.425U	\$ 888,309	\$ 0	\$ 0	\$ 0	\$ 0	\$ 888,309	\$ 888,309
Total Education Stabilization Fund			651,126	335,030	0	1,513,902	2,923,671	1,744,799
Total programs passed through MDF			1,324,421	703,320	0	2,164,489	3,632,334	2,171,165
Passed through COOR ISD: Handicapped Preschool & School Program PL 94-142 IDEA Flowthrough 2020-2021 2021-2022	84.027	432,211 416,132	432,211 0	432,211 0	0 0	432,211 0	0 416,132	0 416,132
Total programs passed through COOR ISD			432,211	432,211	0	432,211	416,132	416,132
Passed through Oscoda County: Title I	84.010	188	0	0	0	188	188	0
Total programs passed through Oscoda County			0	0	0	188	188	0
Passed through Ogemaw County: Schools and Roads - Grants to States	10.665	19,068	0	0	0	19,068	19,068	0
Total programs passed through Ogemaw County			0	0	0	19,068	19,068	0
Total U.S. Department of Education			1,756,632	1,135,531	0	2,615,956	4,067,722	2,587,297
		\$ 3,246,701		\$ 1,243,859	\$ 0	\$ 4,696,565	\$ 6,095,761	\$ 2,643,055

See accompanying notes to Schedule of Expenditures of Federal Awards

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of West Branch-Rose City Area Schools under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of West Branch-Rose City Area Schools, it is not intended to and does not present the financial position or changes in net position of West Branch-Rose City Area Schools.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures.

The School District has elected not to use the 10 percent de minimus indirect cost rate to recover costs as allowed under the Uniform Guidance.

The School District does not have any subrecipients.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 3 - RECONCILIATION OF REVENUE REPORTED IN THE FINANCIAL STATEMENTS

Total federal expenditures per Schedule of Expenditures of Federal Awards	\$ 6,095,761
Add:	
E-Start Childcare Grant	1,694
Revenues per financial statements - federal sources	<u>\$ 6,097,455</u>

NOTE 4 - (UNAUDITED) DONATED PERSONAL PROTECTIVE EQUIPMENT

For the year ended June 30, 2022, the School District did not receive any donated personal protective equipment.