

CASSOPOLIS PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
**(with required and additional
supplementary information)**

YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-11
BASIC FINANCIAL STATEMENTS.....	12
Government-wide Financial Statements	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances -	
Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	18
Notes to Financial Statements	19-46
REQUIRED SUPPLEMENTARY INFORMATION	47
Budgetary Comparison Schedule - General 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
ADDITIONAL SUPPLEMENTARY INFORMATION	54
Nonmajor Governmental Fund Types	
Combining Balance Sheet.....	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	56

TABLE OF CONTENTS

Page

ADDITIONAL SUPPLEMENTARY INFORMATION (continued)

Schedule of Expenditures of Federal Awards	57-58
Notes to Schedule of Expenditures of Federal Awards.....	59

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 <i>GOVERNMENT AUDITING STANDARDS</i>	60-61
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	62-64
--------------------------------------------------------------------------------------------------------------------------------------------------------	-------

Schedule of Findings and Questioned Costs	65-66
-------------------------------------------------	-------

Corrective Action Plan	67
------------------------------	----

Schedule of Prior Year Audit Findings	68
---------------------------------------------	----



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Cassopolis Public Schools

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cassopolis Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the 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 October 19, 2022 on our consideration of Cassopolis Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cassopolis Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cassopolis Public Schools' internal control over financial reporting and compliance.

Manes Costeiran PC

October 19, 2022

CASSOPOLIS PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

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

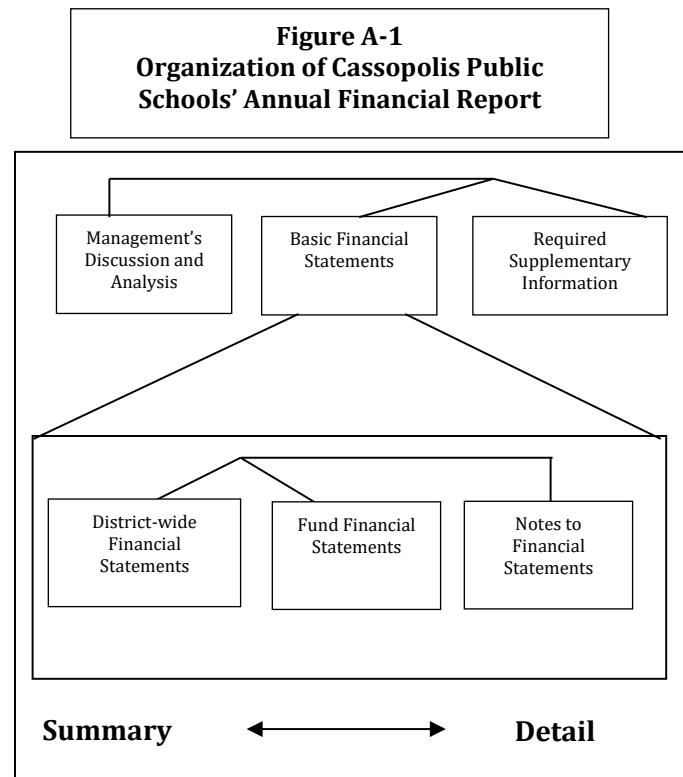
Cassopolis Public Schools, a K-12 school district located in Cass County, Michigan, issues its financial statements under the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of accounting principles generally accepted in the United States of America, is intended to be the Cassopolis Public Schools' administrations discussion and analysis of the financial results for the fiscal year ended June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



**CASSOPOLIS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

Figure A-2 Major Features of District-wide and Fund Financial Statements		
	District-wide Statements	Fund Financial Statements
Scope	Entire District (except fiduciary funds)	Governmental Funds The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	<ul style="list-style-type: none"> * Statement of net position * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

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

DISTRICT-WIDE FINANCIAL STATEMENTS

All of the District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities are reported in the District-wide financial statements and are on a full accrual basis that is similar to those used by private-sector companies. For example, capital assets and long-term obligations of the District are reported in the statement of net position of the District-wide financial statements. The difference between the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities (net position) are one way to measure the District's financial position. However, you need to consider other non-financial factors such as changes in the District's property tax base and the condition and age of the school buildings and other facilities.

The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. These activities are financed through the state foundation grant, property taxes and various federal and state programs.

**CASSOPOLIS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

The District's combined net position at the beginning of the fiscal year was (\$3,053,322) and on June 30, 2022 it is (\$1,457,885), which represents an increase of \$1,595,437 as recorded in the statement of activities.

FUND FINANCIAL STATEMENTS

The fund financial statements are reported on a modified accrual basis and consist of governmental funds and fiduciary funds. Governmental funds include most of the District's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending on future District programs.

Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - The District's combined net deficit improved as of June 30, 2022.

Table A-3 Cassopolis Public Schools' Net Position		
	2022	2021
ASSETS		
Current assets	\$ 7,278,876	\$ 7,810,277
Capital assets	18,649,000	19,281,179
TOTAL ASSETS	25,927,876	27,091,456
DEFERRED OUTFLOWS OF RESOURCES	4,014,443	5,213,291
LIABILITIES		
Long-term debt outstanding	9,752,396	11,296,027
Net pension liability	11,836,539	16,710,605
Net other postemployment benefits liability	775,119	2,698,008
Other liabilities	1,326,884	1,767,654
TOTAL LIABILITIES	23,690,938	32,472,294
DEFERRED INFLOWS OF RESOURCES	7,709,266	2,885,775
NET POSITION		
Net investment in capital assets	9,029,481	8,135,278
Restricted for debt service	1,955,516	1,888,070
Restricted for capital projects (sinking fund)	1,235,695	1,223,383
Unrestricted	(13,678,577)	(14,300,053)
TOTAL NET POSITION	\$ (1,457,885)	\$ (3,053,322)

**CASSOPOLIS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

Table A-4 Changes in Cassopolis Public Schools' Net Position		
	2022	2021
REVENUES		
Program revenues		
Charges for services	\$ 250,402	\$ 178,485
Operating and capital grants	4,220,407	4,165,699
General revenues		
Property taxes	7,206,332	6,884,352
Investment earnings	768	2,617
State aid - unrestricted	2,595,672	2,411,477
Gain on sale of capital assets	#REF!	-
Other	64,553	88,431
TOTAL REVENUES	14,338,134	13,731,061
FUNCTIONS/PROGRAM EXPENSES		
Instruction	5,327,367	6,155,541
Support services	5,044,294	4,728,377
Community services	125	400
Food services	840,991	853,655
Student/school activities	133,557	43,344
Interest on long-term debt	401,509	516,257
Unallocated depreciation	994,854	1,011,832
TOTAL EXPENSES	12,742,697	13,309,406
Change in net position	\$ 1,595,437	\$ 421,655

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from \$4,754 per student in 1995 to \$8,700 per student in 2021-2022. The per student State foundation allowance increased from \$8,111 in 2020-2021.
- b. The District's non-homestead levy for 2021-2022 was 18.0000 mills which the voters approved in May of 2018.

Student Enrollment

Student enrollment increased from 866 in 2020-2021 to 890 in 2021-2022. For the 2022-2023 school year it is hopeful that enrollment will be the same as 2021-2022 or up slightly.

**CASSOPOLIS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

GOVERNMENTAL FUNDS

Results of Operations

For the fiscal years ended June 30, 2022 and 2021, the total fund-level results of operations were:

	2022	2021
REVENUES		
Local sources	\$ 7,643,974	\$ 7,112,555
State sources	4,490,119	4,309,729
Federal sources	2,292,479	2,345,717
Other sources	64,553	88,431
	<u> </u>	<u> </u>
TOTAL REVENUES	<u>\$ 14,491,125</u>	<u>\$ 13,856,432</u>
EXPENDITURES		
Current		
Instruction	\$ 5,867,776	\$ 5,749,807
Supporting services	5,347,417	4,334,102
Food service activities	832,551	833,789
Student/school activities	133,557	43,344
Community service activities	125	400
Debt service	1,921,049	2,007,693
Capital outlay	483,274	127,590
	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 14,585,749</u>	<u>\$ 13,096,725</u>

The following summarizes the revenues and expenditures by comparing fiscal year 2022 to 2021 as shown in the previous results of operations.

- State sources increased due to increases in 147c MPSERS UAAL payments as well as the 11d shortfall of \$175 per pupil in the prior year.
- Federal sources decreased due to reductions in food service reimbursements.
- Expenses increased from \$13.1 million in 2021 to \$14.6 million, an increase of about \$1.5 million. The increase is due to additional funds spent on instruction and supporting services to cover COVID-19 related costs.

The Cassopolis Public Schools District voters approved the 18 mill renewal in May 2018. The State of Michigan allows each school district to levy 18 mills on Non-PRE property, formally known as non-homestead property, and the foundation grant is calculated after the 18 mills. The approval of this renewal resulted in about \$5.2 million in revenue for the District in fiscal year 2021-2022.

**CASSOPOLIS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

Following is a table showing the past five years of property taxes collected on Non-PRE property, formerly known non-homestead property.

Fiscal Year	Levy	Mills
2021 - 2022	\$ 5,236,646	18.0000
2020 - 2021	4,991,417	18.0000
2019 - 2020	4,773,321	18.0000
2018 - 2019	4,542,414	18.0000
2017 - 2018	4,061,775	18.0000

GENERAL FUND AND BUDGET HIGHLIGHTS

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The original 2021-2022 budget was approved on June 14, 2021.

The 2021-2022 budget was revised throughout the fiscal year, with the final revision approved on June 20, 2022. The final budget revision anticipated slightly lower revenues and higher expenditures than was expected in June 2021 when the original budget was approved. The decrease in revenues was a result of receiving less federal funding than anticipated. The increase in expenditures was the result of COVID-19 related purchases and added operational costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022, the District had invested \$18.6 million in a broad range of capital assets. See Note 4 for more information.

Table A-5 Cassopolis Public Schools' Capital Assets				
	2022			2021
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 135,970	\$ -	\$ 135,970	\$ 135,970
Buildings and building improvements	29,081,272	(13,609,784)	15,471,488	16,089,931
Site improvements	5,880,476	(3,199,219)	2,681,257	2,683,508
Equipment and furniture	1,219,208	(985,848)	233,360	142,744
Buses and other vehicles	1,124,367	(997,442)	126,925	229,026
Total	\$ 37,441,293	\$ (18,792,293)	\$ 18,649,000	\$ 19,281,179

**CASSOPOLIS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. During the year the District made normal scheduled principal payments on all obligations. See Note 6 for more information.

Table A-6 Cassopolis Public Schools Outstanding Long-Term Obligations		
	<u>2022</u>	<u>2021</u>
General obligation bonds - net	\$ 9,608,121	\$ 11,063,087
Compensated absences	132,877	150,126
Direct borrowings and direct placements	<u>11,398</u>	<u>82,814</u>
	<u>\$ 9,752,396</u>	<u>\$ 11,296,027</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

We considered many factors when setting the District's 2022-23 fiscal year budgets, including the anticipated steady enrollment increase and without an increase in the foundation allowance while increasing costs in retirement and health insurance. The District has planned for these losses, while trying to stabilize the district fund balance.

Approximately 74% of total General Fund revenues are from the foundation allowance, including property taxes. The State foundation allowance is determined by multiplying the student count by the foundation allowance per pupil. That makes our student count estimate one of the most important factors impacting our budget. In setting the budget for 2022-23, we kept our enrollment steady, built in an increase in the state foundation allowance and assumed a slight increase in federal grant income.

Since the District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect the revenues to fund its appropriation to school districts. For 2021-22, the District saw a foundation allowance of \$8,700. For 2022-23, the District will see a foundation allowance increase of over \$450 per pupil.

We are utilizing Federal grant funding for necessary needs, to help stabilize general fund spending. It is the District's goal to maintain its fund balance moving forward and hope to stabilize student enrollment from the last decade of declining enrollment.

**CASSOPOLIS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions about this report or need any additional information, please contact:

Dr. John Ritzler, Superintendent
Cassopolis Public Schools
725 Center Street
Cassopolis, Michigan 49031
Office Telephone (269) 228-5813
Office Fax (269) 445-0505
Email jritzler@cassopolis.org

BASIC FINANCIAL STATEMENTS

**CASSOPOLIS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,224,172
Restricted cash and cash equivalents - debt service	1,524,623
Receivables	
Accounts receivable	114,122
Intergovernmental	1,406,051
Prepays	9,908
Capital assets not being depreciated	135,970
Capital assets, net of accumulated depreciation	<u>18,513,030</u>
TOTAL ASSETS	<u>25,927,876</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	2,863,613
Related to other postemployment benefits	<u>1,150,830</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,014,443</u>
LIABILITIES	
Accounts payable	48,616
Notes payable	193,052
Accrued interest	16,738
Accrued salaries	477,285
Accrued retirement	343,432
Other accrued liabilities	246,011
Unearned revenue	1,750
Noncurrent liabilities	
Due within one year	1,591,159
Due in more than one year	8,161,237
Net pension liability	11,836,539
Net other postemployment benefits liability	<u>775,119</u>
TOTAL LIABILITIES	<u>23,690,938</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	3,947,434
Related to other postemployment benefits	2,948,026
Related to state aid funding for pension benefits	<u>813,806</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,709,266</u>
NET POSITION	
Net investment in capital assets	9,029,481
Restricted for debt service	1,955,516
Restricted for capital projects (sinking fund)	1,235,695
Unrestricted	<u>(13,678,577)</u>
TOTAL NET POSITION	<u><u>\$ (1,457,885)</u></u>

See notes to financial statements.

**CASSOPOLIS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants	Capital Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities					
Instruction	\$ 5,327,367	\$ 35,555	\$ 2,334,470	\$ -	\$ (2,957,342)
Support services	5,044,294	152,051	623,375	-	(4,268,868)
Community services	125	-	-	-	(125)
Food services	840,991	62,796	801,362	-	23,167
Student/school activities	133,557	-	186,472	-	52,915
Interest on long-term debt	401,509	-	-	274,728	(126,781)
Unallocated depreciation	994,854	-	-	-	(994,854)
TOTAL EXPENSES	\$ 12,742,697	\$ 250,402	\$ 3,945,679	\$ 274,728	(8,271,888)
General revenues					
Property taxes, levied for general purposes					5,236,646
Property taxes, levied for debt service					1,507,141
Property taxes, levied for capital projects (sinking fund)					462,545
Investment earnings					768
State aid - unrestricted					2,595,672
Unrestricted					-
Intermediate sources					-
Other					64,553
TOTAL GENERAL REVENUES					9,867,325
CHANGE IN NET POSITION					1,595,437
Net position, beginning of year					(3,053,322)
Net position, end of year					\$ (1,457,885)

See notes to financial statements.

**CASSOPOLIS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

		Debt Service		Capital Projects		
	General Fund	2009 Energy Conservation Bond	2010 Series A Bond	Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,101,296	\$ -	\$ 336,418	\$ 1,236,585	\$ 549,873	\$ 4,224,172
Restricted cash and cash equivalents	-	1,524,623	-	-	-	1,524,623
Receivables						
Accounts receivable	19,689	-	-	-	94,433	114,122
Intergovernmental	1,385,386	-	-	-	20,665	1,406,051
Due from other funds	30,000	-	-	-	-	30,000
Prepays	9,908	-	-	-	-	9,908
TOTAL ASSETS	\$ 3,546,279	\$ 1,524,623	\$ 336,418	\$ 1,236,585	\$ 664,971	\$ 7,308,876
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 47,516	\$ -	\$ -	\$ 890	\$ 210	\$ 48,616
Accrued salaries	470,437	-	-	-	6,848	477,285
Accrued retirement	324,487	-	-	-	18,945	343,432
Other accrued liabilities	241,013	-	-	-	4,998	246,011
Due to other funds	-	-	-	-	30,000	30,000
Notes payable	193,052	-	-	-	-	193,052
Unearned revenue	-	-	-	-	1,750	1,750
TOTAL LIABILITIES	1,276,505	-	-	890	62,751	1,340,146
FUND BALANCES						
Nonspendable						
Prepays	9,908	-	-	-	-	9,908
Restricted for						
Debt service	-	1,524,623	336,418	-	111,213	1,972,254
Food service	-	-	-	-	280,772	280,772
Capital projects	-	-	-	1,235,695	-	1,235,695
Committed						
Student/school activities	-	-	-	-	210,235	210,235
Assigned for subsequent years' expenditures	131,970	-	-	-	-	131,970
Unassigned	2,127,896	-	-	-	-	2,127,896
TOTAL FUND BALANCES	2,269,774	1,524,623	336,418	1,235,695	602,220	5,968,730
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,546,279	\$ 1,524,623	\$ 336,418	\$ 1,236,585	\$ 664,971	\$ 7,308,876

See notes to financial statements.

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

Total Governmental Fund Balances \$ 5,968,730

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

Deferred outflows of resources - related to pensions	2,863,613
Deferred inflows of resources - related to pensions	(3,947,434)
Deferred outflows of resources - related to other postemployment benefits	1,150,830
Deferred inflows of resources - related to other postemployment benefits	(2,948,026)
Deferred inflows of resources - related to state aid funding for pension benefits	(813,806)

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of the capital assets is	\$ 37,441,293	
Accumulated depreciation/amortization is	<u>(18,792,293)</u>	
		18,649,000

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Long-term obligations	(9,619,519)
Compensated absences	(132,877)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	(16,738)
Net pension liability	(11,836,539)
Net other postemployment benefits liability	<u>(775,119)</u>

Net Position of Governmental Activities **\$ (1,457,885)**

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

		Debt Service		Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	2009 Energy Conservation Bond	2010 Series A Bond	Sinking Fund		
REVENUES						
Local sources	\$ 5,424,306	\$ -	\$ 921,090	\$ 462,955	\$ 835,623	\$ 7,643,974
State sources	4,437,564	-	10,348	5,248	36,959	4,490,119
Federal sources	1,248,913	-	274,728	-	768,838	2,292,479
Other	64,553	-	-	-	-	64,553
TOTAL REVENUES	11,175,336	-	1,206,166	468,203	1,641,420	14,491,125
EXPENDITURES						
Current						
Instruction	5,867,776	-	-	-	-	5,867,776
Supporting services	5,347,417	-	-	-	-	5,347,417
Food service activities	-	-	-	-	832,551	832,551
Student/school activities	-	-	-	-	133,557	133,557
Community service activities	125	-	-	-	-	125
Capital outlay	-	-	-	346,558	136,716	483,274
Debt service	78,449	-	1,218,752	-	623,848	1,921,049
TOTAL EXPENDITURES	11,293,767	-	1,218,752	346,558	1,726,672	14,585,749
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(118,431)	-	(12,586)	121,645	(85,252)	(94,624)
OTHER FINANCING SOURCES (USES)						
Transfers in	30,000	109,333	-	-	-	139,333
Transfers out	-	-	-	(109,333)	(30,000)	(139,333)
TOTAL OTHER FINANCING SOURCES (USES)	30,000	109,333	-	(109,333)	(30,000)	-
NET CHANGE IN FUND BALANCES	(88,431)	109,333	(12,586)	12,312	(115,252)	(94,624)
Fund balances, beginning of year	2,358,205	1,415,290	349,004	1,223,383	717,472	6,063,354
Fund balances, end of year	<u>\$ 2,269,774</u>	<u>\$ 1,524,623</u>	<u>\$ 336,418</u>	<u>\$ 1,235,695</u>	<u>\$ 602,220</u>	<u>\$ 5,968,730</u>

See notes to financial statements.

**CASSOPOLIS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances Total Governmental Funds **\$ (94,624)**

Amounts reported for governmental activities in the statement 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	(994,854)
Capital outlay	378,491
(Loss) on disposal of capital assets, net	(15,816)

Accrued interest on long-term obligations is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	20,731
Accrued interest payable, end of the year	(16,738)

The issuance of long-term obligations (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term obligations 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, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term obligations and related items and are as follows:

Payments on bonded debt	1,435,000
Payments on other long-term obligations	71,416
Amortization of bond premium	19,966

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year	150,126
Accrued compensated absences, end of the year	(132,877)

Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	173,560
Other postemployment benefits related items	754,047

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:

State aid funding for pension, beginning of the year	660,815
State aid funding for pension, end of the year	(813,806)

Change in Net Position of Governmental Activities	\$ 1,595,437
----------------------------------------------------------	---------------------

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

Cassopolis Public Schools (the "District") is governed by the Cassopolis Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *2009 Energy Conservation Bond Fund*, a debt service fund, was established to account for funds being accumulated that are restricted for payment of the energy conservation bonds when they come due.

The *2010 Series A Bond Fund*, a debt service fund, was established to account for restricted tax revenue and accumulation of other resources for payment of debt related to the bond.

The *Sinking Fund*, a capital projects fund, is used to account for restricted resources related to the District's sinking fund millage. The 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.

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Nonmajor Funds

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities as special revenue funds.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. 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.

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

CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School 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 current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2022. The District does not consider these amendments to be significant.

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be checking and savings accounts and cash on hand.

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. 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.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. 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.

Prepaid Items

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

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress, if any, is not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and building improvements	20 - 50 years
Site improvements	10 - 20 years
Equipment and furniture	5 - 10 years
Buses and other vehicles	5 - 10 years

Defined Benefit Plans

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 Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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. The District has two items that qualify for reporting in this category. They are pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (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. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies (continued)

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

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

<u>Fund</u>	<u>Mills</u>
General fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
2010 Series A Bond debt service fund	
PRE, Non-PRE, Commercial Personal Property	1.6500
2020 Refunding Bond debt service fund	
PRE, Non-PRE, Commercial Personal Property	0.3500
2015 Bond debt service fund	
PRE, Non-PRE, Commercial Personal Property	0.7000
Capital projects sinking fund	
PRE, Non-PRE, Commercial Personal Property	0.8285

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits and other severance amounts, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee leaves, resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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

NOTE 2 - DEPOSITS

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, \$4,339,082 of the District's bank balance of \$5,950,295 was exposed to custodial credit risk because it was not covered by federal depository insurance. The carrying value on the books for deposits at the end of the year was \$5,748,795.

Interest Rate Risk

The District will assess and control 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 specific identification and duration.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2022, the District did not have any investments that were subject to rating.

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS (continued)

Concentration of Credit Risk

Investments in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100% of the available reserves. Investments in other types of authorized securities may be made with the provision that no more than 50% of the total current investment portfolio consists of one type of security.

Foreign Currency Risk

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

At June 30, 2022, the carrying amount are summarized as follows:

Deposits	<u>\$ 5,748,795</u>
----------	---------------------

The above amounts are reported in the financial statements as follows:

District-wide	
Cash and cash equivalents	\$ 4,224,172
Restricted cash and cash equivalents	<u>1,524,623</u>
	<u>\$ 5,748,795</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2022 consist of the following:

	<u>Government- wide</u>
State aid	\$ 813,941
Federal revenue	534,418
Other	<u>57,692</u>
	<u>\$ 1,406,051</u>

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

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

CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Assets not being depreciated				
Land	\$ 135,970	\$ -	\$ -	\$ 135,970
Other capital assets				
Building and building improvements	29,081,272	-	-	29,081,272
Site improvements	5,614,476	266,000	-	5,880,476
Equipment and furniture	1,106,717	112,491	-	1,219,208
Buses and other vehicles	1,259,026	-	(134,659)	1,124,367
Subtotal	37,061,491	378,491	(134,659)	37,305,323
Accumulated depreciation				
Building and building improvements	(12,991,341)	(618,443)	-	(13,609,784)
Site improvements	(2,930,968)	(268,251)	-	(3,199,219)
Equipment and furniture	(963,973)	(21,875)	-	(985,848)
Buses and other vehicles	(1,030,000)	(86,285)	118,843	(997,442)
Total accumulated depreciation	(17,916,282)	(994,854)	118,843	(18,792,293)
Net capital assets being depreciated	19,145,209	(616,363)	(15,816)	18,513,030
Net governmental capital assets	\$ 19,281,179	\$ (616,363)	\$ (15,816)	\$ 18,649,000

Depreciation for the fiscal year ended June 30, 2022 amounted to \$994,854. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - NOTES PAYABLE - STATE SCHOOL AID ANTICIPATION NOTE

On August 20, 2021, the District issued a short-term State School Aid Anticipation Note in the amount of \$1,350,000, with an interest rate of 0.11%, for the purpose of funding operating expenditures during periods of low cash flows. The note matures July 20, 2022. This short-term note, including accrued interest through year-end, have a net outstanding balance of \$193,052 at June 30, 2022, and are reported in the financial statements under the caption notes payable. In the event of a default on the note, the State may impose a penalty interest rate and, at the State's discretion, accelerate the repayment terms. The outstanding balance was paid in July 2022.

The State Aid note is secured by the full faith and credit of the District as well as pledged state aid. The note required payments to an irrevocable set-aside account of \$1,158,309. At year end, the balance of these payments are considered defeased debt and are not included in the year-end balance. Activity for the year ended June 30, 2022, is as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
\$ 493,813	\$ 1,350,000	\$ (1,650,761)	\$ 193,052

NOTE 6 - LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance July 1, 2021	\$ 11,063,087	\$ 82,814	\$ 150,126	\$ 11,296,027
Additions	-	-	103,209	103,209
Deletions	(1,454,966)	(71,416)	(120,458)	(1,646,840)
Balance June 30, 2022	9,608,121	11,398	132,877	9,752,396
Due within one year	(1,519,966)	(11,398)	(59,795)	(1,591,159)
Due in more than one year	\$ 8,088,155	\$ -	\$ 73,082	\$ 8,161,237

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

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

General Obligation Bonds

\$1,640,000 2009 Energy Conservation Improvement Bonds dated October 9, 2009, due in one installment of \$1,640,000 on October 22, 2024, with interest of 0%. \$ 1,640,000

\$13,360,000 2010 Building and Site Bonds Series A dated June 29, 2010, due in annual installments ranging from \$895,000 to \$905,000 through May 1, 2027, with interest ranging from 6.00% to 6.25%, payable semi-annually. The District receives a subsidy of 85% to 95% of the interest cost from Qualified School Construction Bonds reducing the effective interest rate to 3.15%. 4,495,000

\$3,330,000 2015 Building and Site Bonds dated November 12, 2015, due in annual installments ranging from \$360,000 to \$375,000 through May 1, 2025, with interest ranging from 2.00% to 3.00%, payable semi-annually. 1,105,000

\$2,545,000 2020 Refunding Bonds dated September 1, 2020, due in annual installments ranging from \$245,000 to \$380,000 through May 1, 2030, with interest ranging from 1.00% to 2.00%, payable semi-annually. 2,250,000

Plus issuance premium 118,121

Total general obligation bonds 9,608,121

Notes from Direct Borrowings and Direct Placements

\$32,168 Ford Explorer Loan Agreement dated December 13, 2018, due in monthly installments ranging from \$709 to \$722 through February 12, 2023, with an interest rate of 3.75%, payable monthly. 5,734

\$25,632 Ford Van Loan Agreement dated April 15, 2019, due in monthly installments ranging from \$559 to \$571 through April 24, 2023, with an interest rate of 3.75%, payable monthly. 5,664

Total notes from direct borrowings and direct placements 11,398

Total general obligation bonds and notes from direct borrowings and direct placements 9,619,519

Compensated absences 132,877

Total general long-term obligations \$ 9,752,396

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$11,398 contains provisions that in an event of default by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding as of June 30, 2022, including interest are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2023	\$ 1,500,000	\$ 343,412	\$ 11,398	\$ 185	\$ -	\$ 1,854,995
2024	1,565,000	277,612	-	-	-	1,842,612
2025	3,265,000	206,812	-	-	-	3,471,812
2026	1,005,000	132,312	-	-	-	1,137,312
2027	1,015,000	73,962	-	-	-	1,088,962
2028 - 2030	1,140,000	26,600	-	-	-	1,166,600
	9,490,000	1,060,710	11,398	185	-	10,562,293
Interest credit	-	(730,891)	-	-	-	(730,891)
Issuance premium	118,121	-	-	-	-	118,121
Compensated absences	-	-	-	-	132,877	132,877
	<u>\$ 9,608,121</u>	<u>\$ 329,819</u>	<u>\$ 11,398</u>	<u>\$ 185</u>	<u>\$ 132,877</u>	<u>\$ 10,082,400</u>

Interest on long-term debt for the year ended June 30, 2022 was approximately \$401,509, of which the District received \$274,728 in federal tax credits.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2022, \$2,640,000 of bonds outstanding are considered defeased.

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Transfers and interfund payable and receivable balances at June 30, 2022 are as follows:

	Transfers Out		
	Sinking Fund	Nonmajor Funds	Total
Transfers in			
General Fund	\$ -	\$ 30,000	\$ 30,000
2009 Energy Conservation Bond Fund	109,333	-	109,333
Total	<u>\$ 109,333</u>	<u>\$ 30,000</u>	<u>\$ 139,333</u>
Receivable Fund		Payable Fund	
General fund	<u>\$ 30,000</u>	Non major funds	<u>\$ 30,000</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The transfer from the Sinking Fund to the 2009 Energy Conservation Bond Fund was to be in compliance with bond covenants which require annual transfers out of these funds to accumulate funds to pay the 2009 Energy Conservation Improvement Bonds. The transfer from the non-major governmental funds to the General Fund was to reimburse for indirect costs.

NOTE 8 - PENSION AND OTHER 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 Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with 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.

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of 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.

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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.

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

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

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

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

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

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment 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 their 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.

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age) (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 an 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

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

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$1,749,000. Of the total pension contributions approximately \$1,642,000 was contributed to fund the Defined Benefit Plan and approximately \$107,000 was contributed to fund the Defined Contribution Plan.

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$418,000. Of the total OPEB contributions approximately \$368,000 was contributed to fund the Defined Benefit Plan and approximately \$50,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, 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 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	0.05000%	0.04865%
Net pension liability for the District	\$ 11,836,539	\$ 16,710,605

CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2022, the District recognized pension expense of \$1,467,966.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (3,805,409)
Differences between expected and actual experience	183,353	(69,703)
Changes in proportion and differences between employer contributions and proportionate share of contributions	384,318	(72,322)
Changes of assumptions	746,133	-
Reporting Unit's contributions subsequent to the measurement date	1,549,809	-
	<u>\$ 2,863,613</u>	<u>\$ (3,947,434)</u>

\$1,549,809, reported as deferred outflows of resources related to pensions resulting from 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 Ending September 30,	Amount
2022	\$ (246,941)
2023	(574,366)
2024	(822,930)
2025	(989,393)

CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER 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 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.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total other postemployment benefits liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	\$ 10,520,015,621	\$ 7,849,636,555
Net other postemployment benefits liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.05078%	0.05036%
Net other postemployment benefits liability for the District	\$ 775,119	\$ 2,698,008

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

For the year ended June 30, 2022, the District incurred OPEB benefit of \$385,887.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on other postemployment benefits plan investments	\$ -	\$ (2,212,521)
Differences between expected and actual experience	-	(584,221)
Changes in proportion and differences between employer contributions and proportionate share of contributions	173,415	(54,325)
Changes of assumptions	647,961	(96,959)
Reporting Unit's contributions subsequent to the measurement date	<u>329,454</u>	<u>-</u>
	<u>\$ 1,150,830</u>	<u>\$ (2,948,026)</u>

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

\$329,454, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (550,376)
2023	(509,023)
2024	(470,889)
2025	(423,621)
2026	(152,705)
2027	(20,036)

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 Pension Plus 2 Plan.

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

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

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals hired before September 4, 2012:

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

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

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

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.00%	5.40%
Private Equity Pools	16.00%	9.10%
International Equity Pools	15.00%	7.50%
Real Return / Opportunistic Pools	12.50%	6.10%
Fixed Income Pools	10.50%	-0.70%
Real Estate and Infrastructure Pools	10.00%	5.40%
Absolute Return Pools	9.00%	2.60%
Short Term Investment Pools	2.00%	-1.30%
	<u>100.00%</u>	

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

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 16,923,041	\$ 11,836,539	\$ 7,619,495

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 1,440,310	\$ 775,119	\$ 210,608

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	<u>\$ 188,658</u>	<u>\$ 775,119</u>	<u>\$ 1,434,958</u>

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2021 Annual Comprehensive 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 separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 9 - RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler and machine, property, fleet, liability, in-land marine, data breach, terrorism and school violent acts, employee dishonesty, crime, and error and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required in any of the past three fiscal years.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required in any of the past three fiscal years.

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - SUBSEQUENT EVENTS

The District has approved borrowing \$1,300,000 for fiscal year 2023 to replace the note payable as described in Note 5.

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*).

Municipalities within the District's boundaries have entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at 50% of the property tax bill for new property. For rehabilitation properties, the taxable values can be frozen. The properties that have abatements are located in the City of Cassopolis, Penn Township, and Volinia Township.

For the year ended June 30, 2022, the District's property taxes revenue for the general operations, sinking fund operations, and debt fund operations were reduced under this program by the following:

General operations	\$ 28,194
Sinking fund operations	2,320
Debt fund operations	<u>7,561</u>
	<u>\$ 38,075</u>

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

There are no abatements made by the District.

NOTE 12 - CONTINGENT LIABILITY

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**CASSOPOLIS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - 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 District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the District's financial statement after the adoption of GASB Statement No. 87.

REQUIRED SUPPLEMENTARY INFORMATION

**CASSOPOLIS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 5,281,056	\$ 5,421,494	\$ 5,424,306	\$ 2,812
State sources	4,341,878	4,387,545	4,437,564	50,019
Federal sources	1,499,743	1,248,053	1,248,913	860
Other	63,199	64,480	64,553	73
TOTAL REVENUES	11,185,876	11,121,572	11,175,336	53,764
EXPENDITURES				
Current				
Instruction				
Basic programs	4,915,596	4,645,948	4,680,398	(34,450)
Added needs	1,006,118	932,290	1,041,485	(109,195)
Adult/continuing education	171,191	126,435	145,893	(19,458)
Total instruction	6,092,905	5,704,673	5,867,776	(163,103)
Supporting services				
Pupil	269,222	337,188	327,704	9,484
Instructional staff	614,694	659,216	634,273	24,943
General administration	397,750	339,861	317,595	22,266
School administration	846,500	819,754	834,713	(14,959)
Business services	403,623	502,128	439,155	62,973
Operations and maintenance	1,332,675	1,496,282	1,403,973	92,309
Transportation	569,591	691,499	599,073	92,426
Central	352,216	537,295	504,217	33,078
Athletics	312,782	322,710	286,714	35,996
Total supporting services	5,099,053	5,705,933	5,347,417	358,516
Community services	400	400	125	275
Debt service	58,256	58,256	78,449	(20,193)
TOTAL EXPENDITURES	11,250,614	11,469,262	11,293,767	175,495
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(64,738)	(347,690)	(118,431)	229,259
OTHER FINANCING SOURCES				
Transfers in	-	30,000	30,000	-
NET CHANGE IN FUND BALANCE	\$ (64,738)	\$ (317,690)	(88,431)	\$ 229,259
Fund balance, beginning of year			2,358,205	
Fund balance, end of year			<u>\$ 2,269,774</u>	

**CASSOPOLIS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.05000%	0.04865%	0.04828%	0.04890%	0.04838%	0.04607%	0.04168%	0.04902%
Reporting Unit's proportionate share of net pension liability	\$ 11,836,539	\$ 16,710,605	\$ 15,987,915	\$ 14,702,159	\$ 12,538,058	\$ 11,492,985	\$ 11,278,762	\$ 10,798,449
Reporting Unit's covered-employee payroll	\$ 4,677,919	\$ 4,506,067	\$ 4,248,883	\$ 4,227,557	\$ 4,153,096	\$ 3,900,665	\$ 3,991,667	\$ 4,180,894
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	253.03%	370.85%	376.29%	347.77%	301.90%	294.64%	283.56%	258.28%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**CASSOPOLIS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF
THE YEAR ENDED JUNE 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 1,641,526	\$ 1,479,171	\$ 1,333,772	\$ 1,235,447	\$ 1,363,560	\$ 1,137,263	\$ 1,157,813	\$ 957,025
Pension contributions in relation to statutorily required contributions	<u>1,641,526</u>	<u>1,479,171</u>	<u>1,333,772</u>	<u>1,235,447</u>	<u>1,363,560</u>	<u>1,137,263</u>	<u>1,157,813</u>	<u>957,025</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (pension)	\$ 4,947,398	\$ 4,634,113	\$ 4,485,135	\$ 4,181,739	\$ 4,255,853	\$ 4,217,970	\$ 3,882,154	\$ 3,953,683
Pension contributions as a percentage of covered-employee payroll	33.18%	31.92%	29.74%	29.54%	32.04%	26.96%	29.82%	24.21%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**CASSOPOLIS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF YEAR ENDED SEPTEMBER 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.05078%	0.05036%	0.04839%	0.04959%	0.04838%
Reporting Unit's proportionate share of net other post employment benefits liability	\$ 775,119	\$ 2,698,008	\$ 3,473,032	\$ 3,942,050	\$ 4,284,166
Reporting Unit's covered-employee payroll	\$ 4,677,919	\$ 4,506,067	\$ 4,248,883	\$ 4,227,557	\$ 4,153,096
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	16.57%	59.88%	81.74%	93.25%	103.16%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	87.33%	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**CASSOPOLIS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefits contributions	\$ 368,160	\$ 388,621	\$ 377,127	\$ 327,734	\$ 295,238
Other postemployment benefits contributions in relation to statutorily required contributions	<u>368,160</u>	<u>388,621</u>	<u>377,127</u>	<u>327,734</u>	<u>295,238</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 4,947,398	\$ 4,634,113	\$ 4,485,135	\$ 4,181,739	\$ 4,255,853
Other post employment benefit contributions as a percentage of covered-employee payroll	7.44%	8.39%	8.41%	7.84%	6.94%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

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

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - There were no changes in assumptions in 2021.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - the assumption changes for 2021 were:

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

ADDITIONAL SUPPLEMENTARY INFORMATION

**CASSOPOLIS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2022**

	Special Revenue		Debt Service Funds		Total Nonmajor Governmental Funds
	Food Service	Student/ School Activities	2020 Refunding Bond	2015 Bond	
ASSETS					
Cash and cash equivalents	\$ 228,354	\$ 210,306	\$ 48,005	\$ 63,208	\$ 549,873
Accounts receivable	94,433	-	-	-	94,433
Intergovernmental receivable	20,665	-	-	-	20,665
TOTAL ASSETS	\$ 343,452	\$ 210,306	\$ 48,005	\$ 63,208	\$ 664,971
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 139	\$ 71	\$ -	\$ -	\$ 210
Accrued salaries	6,848	-	-	-	6,848
Accrued retirement	18,945	-	-	-	18,945
Other accrued liabilities	4,998	-	-	-	4,998
Due to other funds	30,000	-	-	-	30,000
Unearned revenue	1,750	-	-	-	1,750
TOTAL LIABILITIES	62,680	71	-	-	62,751
FUND BALANCES					
Restricted					
Food service	280,772	-	-	-	280,772
Debt service	-	-	48,005	63,208	111,213
Committed					
Student/school activities	-	210,235	-	-	210,235
TOTAL FUND BALANCES	280,772	210,235	48,005	63,208	602,220
TOTAL LIABILITIES AND FUND BALANCES	\$ 343,452	\$ 210,306	\$ 48,005	\$ 63,208	\$ 664,971

**CASSOPOLIS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2022**

	Special Revenue		Debt Service Funds		Total Nonmajor Governmental Funds
	Food Service	Student/ School Activities	2020 Refunding Bond	2015 Bond	
REVENUES					
Local sources	\$ 63,032	\$ 186,472	\$ 195,369	\$ 390,750	\$ 835,623
State sources	32,524	-	-	4,435	36,959
Federal sources	768,838	-	-	-	768,838
TOTAL REVENUES	864,394	186,472	195,369	395,185	1,641,420
EXPENDITURES					
Current					
Food service	832,551	-	-	-	832,551
Student/school activities	-	133,557	-	-	133,557
Capital outlay	136,716	-	-	-	136,716
Debt service	-	-	236,798	387,050	623,848
TOTAL EXPENDITURES	969,267	133,557	236,798	387,050	1,726,672
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(104,873)	52,915	(41,429)	8,135	(85,252)
OTHER FINANCING (USES)					
Transfers out	(30,000)	-	-	-	(30,000)
NET CHANGE IN FUND BALANCES	(134,873)	52,915	(41,429)	8,135	(115,252)
Fund balances, beginning of year	415,645	157,320	89,434	55,073	717,472
Fund balances, end of year	\$ 280,772	\$ 210,235	\$ 48,005	\$ 63,208	\$ 602,220

CASSOPOLIS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Approved Grant Award Amount	Prior Year Expenditures (Memorandum Only)	Accrued (Unearned) Revenue 7/1/2021	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue 6/30/2022
U.S. DEPARTMENT OF AGRICULTURE								
Passed through Michigan Department of Education								
Child nutrition cluster								
COVID-19 National School Breakfast Program	10.553	221971	\$ 145,347	\$ -	\$ -	\$ 145,346	\$ 145,346	\$ -
COVID-19 National School Breakfast Program	10.553	211971	20,981	-	-	20,981	20,981	-
Total ALN 10.553			166,328	-	-	166,327	166,327	-
Non-cash assistance (donated food)								
Entitlement Donated Foods	10.555	59080	48,750	-	-	44,240	44,240	-
Cash assistance								
COVID-19 National School Lunch Program	10.555	221961	344,996	-	-	344,996	344,996	-
COVID-19 National School Lunch Program	10.555	220910	20,322	-	-	20,322	20,322	-
COVID-19 National School Lunch Program	10.555	211961	53,127	-	-	53,127	53,127	-
Total cash assistance			418,445	-	-	418,445	418,445	-
Total ALN 10.555			467,195	-	-	462,685	462,685	-
COVID-19 Summer Food Service Program for Children	10.559	210904	843,162	703,950	155,411	292,734	139,212	1,889
TOTAL CHILD NUTRITION CLUSTER			1,476,685	703,950	155,411	921,746	768,224	1,889
COVID-19 Pandemic EBT Administrative Costs	10.649	210980	614	-	-	614	614	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,477,299	703,950	155,411	922,360	768,838	1,889
U.S. DEPARTMENT OF EDUCATION								
Passed through Michigan Department of Education								
Adult Education - Basic Grants to States	84.002	211130-221702	48,742	-	-	-	48,742	48,742
Adult Education - Basic Grants to States	84.002	221190-221702	16,016	-	-	-	16,016	16,016
Adult Education - Basic Grants to States	84.002	211130-211702	48,000	48,000	4,802	4,802	-	-
Adult Education - Basic Grants to States	84.002	211190-211702	15,772	15,772	2,870	2,870	-	-
Total ALN 84.002			128,530	63,772	7,672	7,672	64,758	64,758
Title I Grants to Local Education Agencies	84.010	221530-2122	266,394	-	-	234,161	255,144	20,983
Title I Grants to Local Education Agencies	84.010	211530-2021	264,563	251,741	21,230	21,930	700	-
Total ALN 84.010			530,957	251,741	21,230	256,091	255,844	20,983

The accompanying notes are an integral part of this schedule.

CASSOPOLIS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Approved Grant Award Amount	Prior Year Expenditures (Memorandum Only)	Accrued (Unearned) Revenue 7/1/2021	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue 6/30/2022
U.S. DEPARTMENT OF EDUCATION (CONTINUED)								
Passed through Michigan Department of Education (continued)								
Rural Education	84.358	210660-2021	\$ 17,580	\$ 17,580	\$ 17,580	\$ 17,580	\$ -	\$ -
Supporting Effective Instruction State Grants	84.367	220520-2122	89,653	-	-	49,910	89,599	39,689
Supporting Effective Instruction State Grants	84.367	210520-2021	88,388	19,077	500	1,289	789	-
Total ALN 84.367			178,041	19,077	500	51,199	90,388	39,689
Title IV - Student Support and Academic Enrichment Program	84.424A	200750-2122	18,713	-	-	-	18,592	18,592
Education Stabilization Fund								
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	201200-2021	67,561	52,121	52,121	61,669	9,548	-
COVID-19 Governor's Emergency Education Relief Fund (GEER II)	84.425C	211202-2122	13,250	-	-	13,250	13,250	-
COVID-19 Governor's Emergency Education Relief Fund (GEER III)	84.425C	211222-2022	7,513	-	-	-	7,513	7,513
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Credit Recovery 9-12)	84.425D	213742-2122	7,517	-	-	6,422	6,422	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Programming K-8)	84.425D	213722-2122	40,493	-	-	40,493	40,493	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER Formula Funds II)	84.425D	213712-2021	808,941	-	-	165,207	431,446	266,239
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER Formula Funds I)	84.425D	203710-1920	214,424	212,046	212,046	214,355	2,309	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U	213713-2122	1,818,060	-	-	103,968	218,723	114,755
Total ALN 84.425			2,977,759	264,167	264,167	605,364	729,704	388,507
TOTAL U.S. DEPARTMENT OF EDUCATION			3,851,580	616,337	311,149	937,906	1,159,286	532,529
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed through Heritage Southwest Intermediate School District								
Medical Assistance Program - Medicaid Cluster	93.778	N/A	5,151	-	-	5,151	5,151	-
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	N/A	15,680	-	-	15,680	15,680	-
Passed through Van Buren Intermediate School District								
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	N/A	2,800	-	-	2,800	2,800	-
Total ALN 93.323			18,480	-	-	18,480	18,480	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			23,631	-	-	23,631	23,631	-
FEDERAL COMMUNICATIONS COMMISSION								
Passed through Heritage Southwest ISD/Copper County ISD								
COVID-19 Emergency Connectivity Funding	32.009	N/A	86,348	-	-	65,996	65,996	-
TOTAL FEDERAL AWARDS			\$ 5,438,858	\$ 1,320,287	\$ 466,560	\$ 1,949,893	\$ 2,017,751	\$ 534,418

The accompanying notes are an integral part of this schedule.

CASSOPOLIS PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Cassopolis Public 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 Cassopolis Public Schools, it is not intended to and does not present the financial position or changes in net position of Cassopolis Public Schools.

Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass-through federal funding.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Cassopolis Public Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements at June 30, 2022:

General fund	\$ 1,248,913
2010 Series A Bond	274,728
Nonmajor governmental funds	<u>768,838</u>
	2,292,479
Less Federal subsidies which are not subject to the Single Audit Act	<u>(274,728)</u>
	<u><u>\$ 2,017,751</u></u>

**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***

To the Board of Education of
Cassopolis Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cassopolis Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Cassopolis Public Schools' basic financial statements, and have issued our report thereon dated October 19, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cassopolis Public 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 Cassopolis Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Cassopolis Public 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cassopolis Public 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*.

Districts Response to the Finding

Cassopolis Public Schools' response to the finding identified in our audit is described in the accompanying corrective action plan. Cassopolis Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of This Report

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

Maney Costeiran PC

October 19, 2022



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

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

To the Board of Education of
Cassopolis Public Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cassopolis Public 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 Cassopolis Public Schools' major federal programs for the year ended June 30, 2022. Cassopolis Public 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, Cassopolis Public 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit 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 Cassopolis Public Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Cassopolis Public 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 Cassopolis Public Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cassopolis Public 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 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 Cassopolis Public Schools' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain 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 Cassopolis Public 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 Cassopolis Public 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 Cassopolis Public 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.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our audit was not designed for the purpose of expressing an opinion 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.

Maney Costeiran PC

October 19, 2022

**CASSOPOLIS PUBLIC 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 based on financial
statemenets prepared in accordance with generally accepted
account principles:

Unmodified

Internal control over financial reporting:

- | | | | | |
|------------------------------------------------------------------------------------------------|---------------|-----|---------------|---------------|
| ➤ Material weakness(es) identified? | <u> X </u> | Yes | <u> </u> | None |
| ➤ Significant deficiency(ies) identified that are not
considered to be material weaknesses? | <u> </u> | Yes | <u> X </u> | None reported |
| ➤ Noncompliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> | None |

Federal Awards

Internal control over major Federal programs:

- | | | | | |
|------------------------------------------------------------------------------------------------|---------------|-----|--------------|---------------|
| ➤ Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | None |
| ➤ Significant deficiency(ies) identified that are not
considered to be material weaknesses? | <u> </u> | Yes | <u> X </u> | None reported |

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

Unmodified

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

 Yes X None

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Funds

Dollar threshold used to distinguish between type A and type B
programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

**CASSOPOLIS PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Criteria: Auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position and results of operations, including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles.

Condition: Material journal entries for the proper recognition of cash, accounts receivable, due from other governmental units, notes payable, grant revenues and related expenditures were proposed by the auditors. These misstatements were not detected by the District's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the District's general ledger.

Effect: The District's financial reports contained material misstatements that were not otherwise identified by management.

Cause: Management did not properly identify the misstatements and record the necessary adjustments.

Recommendation: We recommend that the District take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

District's Response: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Section III - Federal Award Findings and Questioned Costs

None



Cassopolis Public Schools

Administration Office

22721 Diamond Cove St
Cassopolis, MI 49031

Phone 269-445-0504

Main Office Phone 269-445-0500

Fax 269-445-0505

Cassopolis Public Schools

Corrective Action Plan

June 30, 2022

Contact Person: Dr. John Ritzler, Superintendent

Oversight Agency: Michigan Department of Education

Cassopolis Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2022.

Auditor: Maner Costerisan
2425 E. Grand River Ave Suite #1
Lansing MI 48912

Audit period: June 30, 2022

The findings from the June 30, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding – Financial statement audit

Finding 2022-001: Findings – Material journal entries proposed by auditors

Recommendation: The District should take steps to ensure that material entries are not necessary at the time future audit analysis is performed.

Action to be taken: Management agrees with the finding and understands the requirements to have all journal entries completed prior to the auditors' arrival. We also understand the correct way to post expenditures, notes payable and related revenues received after June 30 of the fiscal year. These entries have been completed in the correct manner and this issue has been resolved.

Should you have any questions, feel free to call me at 269-445-0503. Thank you.

Sincerely,

Dr. John Ritzler
Superintendent

**CASSOPOLIS PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FINDINGS/NONCOMPLIANCE

Control Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

None noted.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

None noted.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with the Uniform Guidance.

2021-001 - Considered a significant deficiency

Federal Program:	Child Nutrition Cluster
CFDA #:	10.555 and 10.559
Federal agency:	U.S. Department of Agriculture
Pass-through entity:	Michigan Department of Education
Pass-through number:	200900, 201960, 210904

Condition: Cassopolis Public Schools ended the fiscal year with more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during the 2021-2022 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess funds cannot be transferred to the general fund.

Status: As of fiscal year end June 30, 2022 the District did not have more than the allowable fund balance in the non-profit food service fund. We consider this issue resolved.