

Clio Area Schools

Financial Statements

June 30, 2022



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Clio Area Schools
Members of the Board of Education and Administration
June 30, 2022

Members of the Board of Education

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Robert Gaffney	Vice President
Lydia Heine	Secretary
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Administration

Lisa Taylor	Superintendent
Kelly Kiss	Asst. Superintendent for Curriculum And Instruction
Carrie Sekelsky	Asst. Superintendent for Finance



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Independent Auditors' Report

To the Board of Education
Clio Area Schools
Clio, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clio Area Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Clio Area 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 Clio Area Schools, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Auditors' 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 auditors' 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 Clio Area Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Clio Area Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions 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 Clio Area Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, other than the prior year information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022 on our consideration of Clio Area 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 Clio Area 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 Clio Area Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, MI

September 28, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clio Area Schools

Management's Discussion and Analysis For the Year Ended June 30, 2022

The Clio Area School District has chosen to implement the provisions of Governmental Accounting Standards Board *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, (GASB 34) with the enclosed financial statements. Our discussion and analysis of Clio Area Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2022.

GASB 34 and generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: fund financial statements and district-wide financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds – not the School District as a whole. The fund-level financial statements are reported on a modified accrual basis. That is, only those assets that are "measurable" and "currently available" are reported, and liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. The School District has two kinds of funds:

- *Governmental Funds*: All of the School District's basic services are provided in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations from the fund level statements to the district-wide statements explain the relationship (or differences) between them. The School District's governmental funds include the General Fund, 2020 Capital Project Fund, 2022 Capital Project Fund, Cafeteria Fund, Transportation Fund, Student Activity Fund, Debt Fund, and Sinking Fund.

District-wide Financial Statements

The District-wide Statement of Net Position and Statement of Activities are reported using the full accrual basis of accounting. With this method, all of the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and current year revenues and expenditures are reported, regardless of when cash is received or paid. These statements provide information about the activities of the School District as a whole, and present a long-term view of the School District's finances. For example, the Statement of Activities details how the School District's services were financed in the short-term and the amount that remains for future spending. The Statement of Net Position aggregates the School District's restricted and unrestricted assets as well as short and long-term obligations recorded in all funds.

Financial Position and Results of Operations

The School District's net position – the difference between assets plus deferred inflows and liabilities plus deferred outflows, as reported in the Statement of Net Position, is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating, respectively. The relationship between revenues and expenses indicates the School District's operating results. To assess the School District's overall health, it is important to consider additional non-financial factors such as the quality of educational services provided, the condition of school buildings and facilities, the safety of the schools, and other non-financial factors.

Summary of Net Position

The School District's net position totaled \$ (26,556,282) at June 30, 2022. Of this amount, \$ (66,078,426) was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use this net position for day-to-day operations.

The following is a summary of the School District's net position at June 30, 2022:

	2021 - 2022 Governmental Activities
Assets	
Current and other assets	\$ 45,908,119
Capital assets	23,619,580
Total assets	<u>69,527,699</u>
Deferred outflows of resources	<u>9,906,910</u>
Total assets and deferred outflows of resources	<u>79,434,609</u>
Liabilities	
Current liabilities	4,792,754
Long-term liabilities	76,019,580
Total liabilities	<u>80,812,334</u>
Deferred inflows of resources	<u>25,178,557</u>
Total liabilities and deferred inflows of resources	<u>105,990,891</u>
Net position	
Net investment in capital assets	11,293,773
Restricted	28,228,371
Unrestricted	(66,078,426)
Total net position (deficit)	<u><u>(26,556,282)</u></u>

Analysis of Financial Position

During fiscal year ended June 30, 2022, the School District's net position increased by \$ 9,926,930. Increase in net position for the year was primarily attributable to new sources of revenue related to Education Stabilization Funds and issuance of new debt. A few of the significant factors affecting net position during the year are discussed below:

A. Governmental Fund Operations

In the School District's governmental funds, revenues exceeded expenditures by \$ 11,304,651 for the fiscal year ended June 30, 2022. See the section entitled Major Governmental Funds Budgeting and Operating Highlights below for further discussion of governmental fund operations.

B. Depreciation Expense

The provisions of GASB 34 require the School District to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net position. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2022, the depreciation expense was \$ 1,080,946.

C. Capital Acquisitions

Additions to capital outlay additions for the year ended June 30, 2022, totaled \$ 13,876,113. Capital outlay was offset by current year depreciation expense of \$ 1,080,946, creating an ending fixed asset total of \$ 23,619,580.

Results of Operations

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the district-wide results of operations for the year ended June 30, 2022 is as follows:

	<u>2022</u>
Revenue	
Program revenue:	
Charges for services	\$ 888,474
Operating grants	14,488,666
General revenue:	
Property taxes	5,241,549
State aid - unrestricted	20,587,830
Other	378,775
Total revenue	<u>41,585,294</u>
Functions/Program expenses	
Instruction	\$ 17,893,049
Support services	10,857,447
Food services	1,701,841
Community services	444,978
Interest on long-term debt	761,049
Total revenue	<u>31,658,364</u>
Change in net position	9,926,930
Net position (deficit) - beginning	<u>(36,483,212)</u>
Net position (deficit) - ending	<u><u>(26,556,282)</u></u>

Governmental Funds Financial Highlights

The General Fund is reported separately as a major fund in the fund financial statements. Funds reported as “Nonmajor Governmental Funds” in the fund financial statements include the Cafeteria Fund, Transportation Fund, Student Activity Fund, Debt Fund, and Sinking Fund. The annual fund financial statements provide the following insights about the results of this year’s operations:

A. General Fund

The General Fund experienced an increase in fund equity of \$ 4,866,342, during the year ended June 30, 2022. Ending fund equity in the General Fund was \$ 12,586,034 on June 30, 2022. This level was up from \$ 7,719,692 on June 30, 2021.

B. Capital Projects Funds - Bond

The 2020 Capital Projects Fund experienced a decrease in fund equity of \$ 12,613,170, during the year ended June 30, 2022. Ending fund equity in the 2020 Capital Projects Fund was \$ 7,040,865 on June 30, 2022. This was down from \$ 19,654,035 on June 30, 2021. During the year, Series II of the bond was issued for the amount of \$ 19,988,830 which caused the District to have a new major fund. The 2022 Capital Projects Fund had an ending fund equity of \$ 18,966,958 as of June 30, 2022. This will be spent down in the future periods.

C. Nonmajor Governmental Funds

Nonmajor governmental funds experienced an increase in fund equity of \$ 84,521 during the year. The Cafeteria Fund balance increased from the prior year. Revenues exceeded expenditures by \$ 339,761, resulting in ending fund equity of \$ 1,165,679. The Transportation Fund reported revenues of \$ 449,082 generated from fees and expenditures of \$ 381,718, creating an ending fund equity of \$ 67,364. The Student Activity Fund’s ending fund balance was \$ 345,927, which is committed for student activities. The Debt Fund was established in the prior year with its purpose being used to pay down long term debt and had an ending fund equity of \$ 661,187. The Sinking Fund experienced a decrease in fund equity of \$ 576,965, resulting in ending fund equity of \$ 413,849.

Major Governmental Funds Budgeting and Operating Highlights

The School District’s budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment figures and resultant staffing requirements, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseen items. As a matter of practice, the School District amends its budget two times during the fiscal year to adjust for these changes. The School District prepares budgets for the General Fund, Cafeteria Special Revenue Fund, Transportation Fund, and Capital Projects Funds.

A. General Fund

In the General Fund, actual revenue was \$ 36.6 million. This is above the original budget estimate of \$ 30.4 million and above the final budgeted amount of \$ 36.5 million, a variance of \$ 138,045. The actual expenditures of the General Fund were \$ 31.7 million. This is above the original budget estimate of \$ 30.6 million and below the final budgeted amount of \$ 33.2 million, a variance of \$ 1,499,725.

The variances between the actual revenues and the original and final amended budgets in the General Fund are due primarily to the following:

- Increase in expected revenue from local property taxes.
- Increase in state sources from original budget due to late adoption of State budget.
- Increase in revenue due to Federal Grants-ESSER

The variances between the actual General Fund expenditures and the original and final expenditure budgets include the following:

- Employee salary and benefit adjustments due to varied retirement rates and personnel changes.
- Adjustments for federal and state grant expenditures.
- Decreased expenditures due to equipment and technology not received before year end.

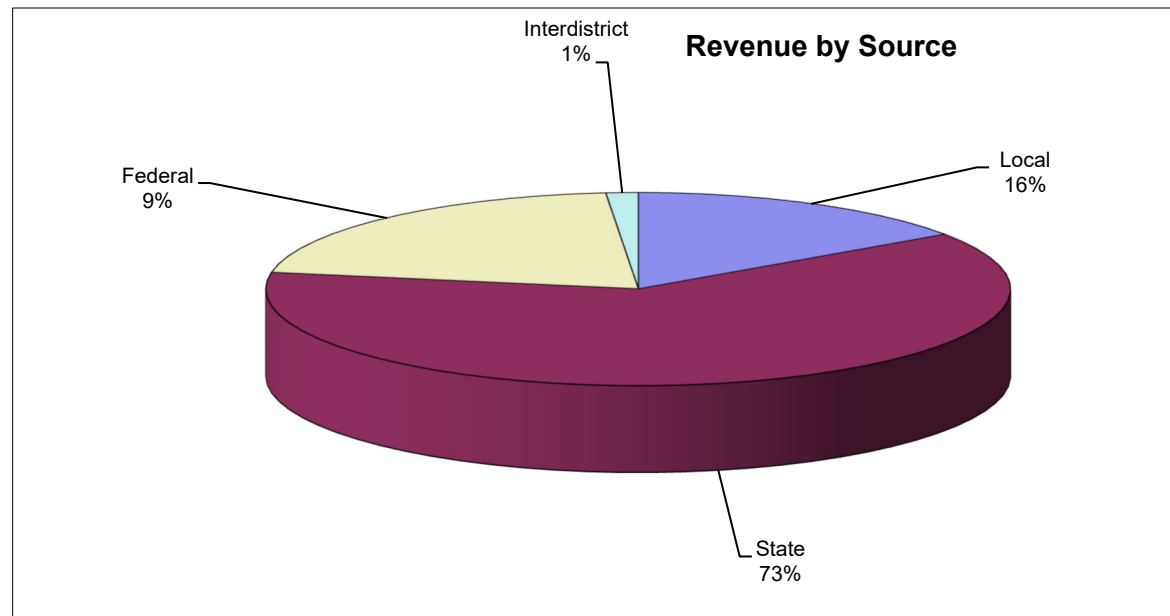
B. 2020 and 2022 Capital Projects Funds

The 2020 Capital Projects Fund received revenues from investment interest and dividends, and the 2022 Capital Projects Fund received revenues from investment interest and issuance of debt. Expenditures, for both funds, take the form of capital improvement projects for major repairs and improvements to the School District's facilities.

The 2020 Capital Projects Fund ended the fiscal year with assets of roughly \$ 7 million, and the 2022 Capital Projects Fun ended with fund equity of roughly \$ 19 million. These funds will continue to be reported separately during the construction cycle.

Governmental Fund Revenues

Revenues for all governmental funds totaled \$ 41.6 million for 2021/2022. The following graph illustrates the School District's revenues by source as a percentage of total revenue:



A. Unrestricted State Aid

The School District is predominantly funded by State Aid. Unrestricted state aid is determined by the following three variables: (1) State of Michigan student foundation allowance; (2) student enrollment for the year, blended at 90 percent of the current year's fall student count and 10 percent of the previous school year's winter student count; and (3) the School District's non-homestead property tax levy.

Annually, the State of Michigan establishes the per student foundation allowance. For the year ended June 30, 2022, the foundation allowance for Clio Area Schools was established at \$ 8,700, which is an increase from the 2020/2021 foundation allowance.

Student enrollment for state aid for the 2021/2022 year was 2,743, a decrease of 124 full time equated students from 2020/2021.

The following schedule summarizes the School District's blended student enrollment in full-time equivalencies and per student Foundation Allowance for the current year and the previous nine years:

<u>Year</u>	<u>Student Enrollment</u>	<u>Change from Prior Year</u>	<u>Foundation Allowance</u>	<u>Change from Prior Year</u>
2022	2,743	(124)	\$ 8,700	\$ 589
2021	2,867	(25)	\$ 8,111	\$ -
2020	2,892	(84)	\$8,111/\$7,936 **	\$ 240
2019	2,976	(120)	\$ 7,871 *	\$ 240
2018	3,096	(23)	\$ 7,631	\$ 120
2017	3,119	(50)	\$ 7,511	\$ 120
2016	3,169	(27)	\$ 7,391	\$ 265
2015	3,196	(90)	\$ 7,126	\$ 100
214	3,286	(206)	\$ 7,026	\$ 60
2013	3,492	(153)	\$ 6,966	\$ 120

*The district started a home school partnership program in 2017-2018. This unique educational entity provides opportunities for students both through the partnership and the rest of the district to take virtual classes that are not offered through traditional vendors.

** The district received a \$175 proration in 2019/2020.

B. Property Taxes

The School District is authorized to levy up to 18 mils of property taxes on all non-primary residence property located within the School District for General Fund operations. Commercial personal property is levied at 6 mils. The levy is assessed on the Taxable Value of the property. The increase in taxable value is limited to the lesser of the inflation rate or 5%. When a property is sold, the Taxable Valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The School District levied 18.0000 mills for operations during the 2021/2022 and property tax revenue was \$ 3.1 million.

The School District's sinking fund is used for the repairs and replacement of buildings and sites. The School District levied 0.4979 mills for the sinking fund during the 2021/2022 year and property tax revenue was \$ 271,000.

The School District's debt fund is used for the repayment of the 2020 Series I and 2022 Series II bond. The School District levied 3.7500 mills for the debt fund during the 2021/2022 year and property tax revenue was \$ 2.2 million.

Governmental Fund Expenditures

The following chart illustrates that the General Fund comprises 62.8% of all expenditures within the governmental funds of the School District. As of June 30, 2022, expenditures and other financing uses totaled \$ 50.5 million for all School District programs. The ending fund equity for all funds was \$ 41.2 million.

<u>Fund</u>	<u>Expenditures & Other Uses (In Millions)</u>	<u>Percent of Total</u>
General Fund	31.7	62.8%
Other Governmental Funds	18.8	37.2%
Total	<u>50.5</u>	<u>100.0%</u>

Capital Asset and Debt Administration

A. Capital Assets

At June 30, 2022, the School District had \$ 33.4 million invested in land and buildings, furniture and equipment, buses and other vehicles, and construction in progress. Of this amount, \$ 9.8 million has been depreciated, which resulted in a net book value of \$ 23.6 million. The majority of the buildings were constructed in the 1950's and 1960's. The School District is committed to timely repairs and maintenance of its facilities. Computer purchases fall below the School District's capitalization threshold of \$ 5,000 and are expensed accordingly.

Capital Assets at June 30, 2022

<u>Type</u>	<u>Amount (In Millions)</u>
Construction in progress	11.8
Land, buildings, and additions	17.5
Equipment and furniture	2.6
Buses and other vehicles	1.5
Total	<u>33.4</u>
Buses and other vehicles	9.8
Net capital assets	<u>23.6</u>

B. Long-Term Debt

At June 30, 2022, the School District had outstanding debt principal payments of \$ 37,465,000 from debt issued during the 2019/2020 & 2021/2022 years.

For more detailed information regarding capital assets and debt administration, please review the Notes to Financial Statements located in the financial section of this report.

Conditions that will Significantly Affect Financial Position and Results of Operations in Future Years

In May 2020, the district voters passed a \$40 million bond issue. During that campaign, the district reduced the Sinking Fund to levy only .5 mils instead of the previously passed levy of 2 mils.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the School District's finances. If you have questions about this report or need additional information, contact the business department at Clio Area Schools, 1 Mustang Drive, Clio, Michigan, 48420 or by telephone at 810-591-0500.

BASIC FINANCIAL STATEMENTS

Clio Area Schools
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Assets	
Cash	\$ 15,866,702
Accounts receivable	110,192
Due from other governmental units	5,897,866
Inventory	20,167
Investments	24,008,247
Prepaid items	4,945
Capital assets not being depreciated	11,886,257
Capital assets - net of accumulated depreciation	<u>11,733,323</u>
 Total assets	 <u>69,527,699</u>
 Deferred outflows of resources	
Deferred amount relating to the net pension liability	7,332,105
Deferred amount relating to the net OPEB liability	<u>2,574,805</u>
 Total deferred outflows of resources	 <u>9,906,910</u>

See Accompanying Notes to the Financial Statements

Clio Area Schools
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 1,754,513
Due to other governmental units	418,867
Accrued expenditures	132,498
Accrued salaries payable	2,455,527
Unearned revenue	31,349
Long-term liabilities	
Net pension liability	35,300,277
Net OPEB liability	2,253,775
Debt due within one year	1,807,000
Debt due in more than one year	<u>36,658,528</u>
 Total liabilities	 <u>80,812,334</u>
 Deferred inflows of resources	
Deferred amount relating to the net pension liability	15,947,637
Deferred amount relating to the net OPEB liability	<u>9,230,920</u>
 Total deferred inflows of resources	 <u>25,178,557</u>
 Net Position	
Net investment in capital assets	11,293,773
Restricted for	
Food service	1,145,512
Debt service	661,187
Capital projects	26,421,672
Unrestricted (deficit)	<u>(66,078,426)</u>
 Total net position	 <u><u>\$ (26,556,282)</u></u>

See Accompanying Notes to the Financial Statements

Clio Area Schools
Statement of Activities
For the Year Ended June 30, 2022

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs				
Governmental activities				
Instruction	\$ 17,893,049	\$ -	\$ 11,149,996	\$ (6,743,053)
Supporting services	10,857,447	225,367	1,409,739	(9,222,341)
Food services	1,701,841	86,990	1,904,597	289,746
Community services	444,978	576,117	24,334	155,473
Interest and fiscal charges on long-term debt	761,049	-	-	(761,049)
Total governmental activities	<u>\$ 31,658,364</u>	<u>\$ 888,474</u>	<u>\$ 14,488,666</u>	<u>(16,281,224)</u>
General revenues				
Property taxes, levied for general purposes				3,086,819
Property taxes, levied for debt service				2,154,730
State aid - unrestricted				20,587,830
Interest and investment earnings				22,519
Gain on sale of capital assets				37,541
Other				<u>318,715</u>
Total general revenues				<u>26,208,154</u>
Change in net position				9,926,930
Net position - beginning				<u>(36,483,212)</u>
Net position - ending				<u>\$ (26,556,282)</u>

See Accompanying Notes to the Financial Statements

Clio Area Schools
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	2020 Capital Projects	2022 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 9,990,836	\$ 916,901	\$ 1,863,561	\$ 3,095,404	\$ 15,866,702
Accounts receivable	110,192	-	-	-	110,192
Due from other funds	19,014	113,126	-	7,902	140,042
Due from other governmental units	5,756,241	-	-	141,625	5,897,866
Inventory	-	-	-	20,167	20,167
Investments	-	6,010,838	17,997,409	-	24,008,247
Prepaid items	4,945	-	-	-	4,945
 Total assets	 <u>\$ 15,881,228</u>	 <u>\$ 7,040,865</u>	 <u>\$ 19,860,970</u>	 <u>\$ 3,265,098</u>	 <u>\$ 46,048,161</u>

See Accompanying Notes to the Financial Statements

Clio Area Schools
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	2020 Capital Projects	2022 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities					
Accounts payable	\$ 381,559	\$ -	\$ 894,012	\$ 478,942	\$ 1,754,513
Due to other funds	7,892	-	-	132,150	140,042
Due to other governmental units	418,867	-	-	-	418,867
Accrued salaries payable	2,455,527	-	-	-	2,455,527
Unearned revenue	31,349	-	-	-	31,349
	<u>3,295,194</u>	<u>-</u>	<u>894,012</u>	<u>611,092</u>	<u>4,800,298</u>
Total liabilities					
Fund Balances					
Non-spendable					
Inventory	-	-	-	20,167	20,167
Prepaid items	4,945	-	-	-	4,945
Restricted for					
Food service	-	-	-	1,145,512	1,145,512
Debt service	-	-	-	661,187	661,187
Capital projects	-	7,040,865	18,966,958	413,849	26,421,672
Committed for student activity	-	-	-	345,927	345,927
Assigned for transportation	-	-	-	67,364	67,364
Unassigned	12,581,089	-	-	-	12,581,089
	<u>12,586,034</u>	<u>7,040,865</u>	<u>18,966,958</u>	<u>2,654,006</u>	<u>41,247,863</u>
Total fund balances					
	<u>\$ 15,881,228</u>	<u>\$ 7,040,865</u>	<u>\$ 19,860,970</u>	<u>\$ 3,265,098</u>	<u>\$ 46,048,161</u>
Total liabilities and fund balances					

See Accompanying Notes to the Financial Statements

Clio Area Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

Total fund balances for governmental funds	\$ 41,247,863
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	11,886,257
Capital assets - net of accumulated depreciation	11,733,323
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from the net pension liability	(15,947,637)
Deferred outflows of resources resulting from the net pension liability	7,332,105
Deferred inflows of resources resulting from the net OPEB liability	(9,230,920)
Deferred outflows of resources resulting from the OPEB liability	2,574,805
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(132,498)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(35,300,277)
Net OPEB liability	(2,253,775)
Compensated absences	(131,898)
Bonds Payable	<u>(38,333,630)</u>
Net position of governmental activities	<u>\$ (26,556,282)</u>

See Accompanying Notes to the Financial Statements

Clio Area Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	2020 Capital Projects	2022 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 3,325,682	\$ 19,110	\$ 3,409	\$ 3,056,208	\$ 6,404,409
State sources	25,836,698	-	-	75,503	25,912,201
Federal sources	6,836,014	-	-	1,835,938	8,671,952
Interdistrict sources	581,492	-	-	-	581,492
 Total revenues	 36,579,886	 19,110	 3,409	 4,967,649	 41,570,054
Expenditures					
Current					
Education					
Instruction	19,201,127	-	-	-	19,201,127
Supporting services	12,061,714	-	-	473,632	12,535,346
Food services	-	-	-	1,637,293	1,637,293
Community services	428,100	-	-	-	428,100
Facilities acquisition	-	12,632,280	559,790	847,647	14,039,717
Debt service					
Principal	51,152	-	-	1,660,000	1,711,152
Interest and other expenditures	1,224	-	-	459,113	460,337
Bond issuance costs	-	-	256,401	-	256,401
 Total expenditures	 31,743,317	 12,632,280	 816,191	 5,077,685	 50,269,473
 Excess of revenues over expenditures (deficiency)	 4,836,569	 (12,613,170)	 (812,782)	 (110,036)	 (8,699,419)

See Accompanying Notes to the Financial Statements

Clio Area Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	2020 Capital Projects	2022 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 19,425,000	\$ -	\$ 19,425,000
Premium on issuance of bonds	-	-	563,830	-	563,830
Insurance recoveries	15,240	-	-	-	15,240
Transfers in	17,467	-	-	212,024	229,491
Transfers out	<u>(2,934)</u>	<u>-</u>	<u>(209,090)</u>	<u>(17,467)</u>	<u>(229,491)</u>
 Total other financing sources (uses)	 <u>29,773</u>	 <u>-</u>	 <u>19,779,740</u>	 <u>194,557</u>	 <u>20,004,070</u>
 Net change in fund balances	 4,866,342	 (12,613,170)	 18,966,958	 84,521	 11,304,651
 Fund balances - beginning	 <u>7,719,692</u>	 <u>19,654,035</u>	 <u>-</u>	 <u>2,569,485</u>	 <u>29,943,212</u>
 Fund balances - ending	 <u><u>\$ 12,586,034</u></u>	 <u><u>\$ 7,040,865</u></u>	 <u><u>\$ 18,966,958</u></u>	 <u><u>\$ 2,654,006</u></u>	 <u><u>\$ 41,247,863</u></u>

See Accompanying Notes to the Financial Statements

Clio Area Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$ 11,304,651
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,080,946)
Capital outlay	13,788,069
Expenses are recorded when incurred in the statement of activities.	
Interest	(70,229)
Compensated absences	20,520
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions	
Net change in net pension liability	16,909,368
Net change in the deferrals of resources related to the net pension liability	(15,092,822)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions	
Net change in net OPEB liability	5,778,637
Net change in the deferrals of resources related to the net OPEB liability	(3,378,558)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of 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. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as financing sources or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(19,988,830)
Repayments of long-term debt	1,711,152
Amortization of premiums	25,918
Change in net position of governmental activities	\$ 9,926,930

See Accompanying Notes to the Financial Statements

Clio Area Schools

Notes to the Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Clio Area Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

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

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by

general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District allocates indirect costs, including depreciation expense, the change in compensated absences payable, and expenses associated with changes in the net pension liability and OPEB liability for presentation the statement of activities. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Clio Area Schools

Notes to the Financial Statements

June 30, 2022

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

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2020 Capital Projects Fund – This fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

2022 Capital Projects Fund – This fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Fund includes the Food Service Fund, Transportation Fund, and the Student Activity Fund. Operating deficits generated by these activities are generally covered by a transfer from the General Fund.

Debt Service Fund – The Debt Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Sinking Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction, additions or major replacements to school buildings.

Assets, Liabilities, and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2022, the rates are as follows per \$ 1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Sinking Fund	0.49790
Debt Fund	3.75000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 99% of the School District's tax roll lies within Genesee County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property

Clio Area Schools
Notes to the Financial Statements
June 30, 2022

taxes uncollected as of March 1 are purchased by the Counties of Genesee and Saginaw and remitted to the School District by June 30.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$ 5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	5-50 years
Equipment and furniture	3-20 years
Buses and other vehicles	5-10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – Sick days are earned by employees at varying rates, which may accumulate from year to year, and are as follows:

Teachers and Bus Drivers, 10 days per year; Administrators, Secretaries, and Custodians, 12 days per year.

There are some variations from group to group; normally employees who work only when school is in session receive 10 days per year and employees who work the entire year receive 12 days per year.

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

Clio Area Schools
Notes to the Financial Statements
June 30, 2022

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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 Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balances – In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Clio Area Schools

Notes to the Financial Statements

June 30, 2022

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows at the date of the financial statements and the report amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 87, *Leases* increases the usefulness of the District’s 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 financing of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District’s leasing activities.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB

Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor’s IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

Clio Area Schools
Notes to the Financial Statements
June 30, 2022

The Superintendent is authorized to transfer budgeted amounts within functions in any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
School administration	\$ 2,175,813	\$ 2,225,176	\$ 49,363
Transfers out	-	2,934	2,934

Compliance - Sinking Funds

The Sinking Fund records capital project activities funded with the Sinking Fund millage. For these activities, the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Compliance - Bond Proceeds

The 2020 Capital Project Fund and 2022 Capital Project fund are funds that include capital project activities funded with a bond proceeds. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2020 Building and Site Bond Funds from the inception of the funds through the current fiscal year:

	2022 Bond	2020 Bond
Revenues	\$ 19,992,239	\$ 21,356,690
Expenditures	1,025,281	14,315,825

Note 3 - Deposits and Investments

The School District's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and deposits	\$ 15,866,702
Investments	<u>24,008,247</u>
	<u>\$ 39,874,949</u>

The break down between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 15,866,702
Investments in securities, mutual funds, and similar vehicles	<u>24,008,247</u>
Total	<u>\$ 39,874,949</u>

Clio Area Schools

Notes to the Financial Statements

June 30, 2022

As of year end, the School District had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund				
MILAF + Portfolio				
Cash Management Class	\$ 3,010,838	< 60 days	AAAm	S&P's
Michigan Term	20,997,409	< 60 days	AAAkf	Kroll
	<u>\$ 24,008,247</u>			

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

As of June 30, 2022, the net asset value of the School District's investment in MILAF + Portfolio was \$ 3,010,838. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

As of June 30, 2022, the net asset value of the School District's investment in the MILAF Term Series was \$ 20,997,409. Participation in the investment pool has not resulted in any unfunded commitments.

Shares are purchased to mature upon pre-determined maturity dates upon initiation of the investment. Districts may prematurely redeem shares, providing they give a minimum of seven days' notice, but may incur an early redemption penalty. The NAV per share for each series of the Michigan Term Series is calculated as of the close of business each business day, for purpose of computing fees, by dividing the total value of investments and other assets less any liabilities by the total outstanding shares. The value of an investors share redemption in a Michigan Term Series will be determined as of the close of business on any day when a share redemption occurs and is equal to the original purchase price for such share, plus dividends thereon at the projected yield, less losses incurred by the series allocable to such share, if any. It is the Trust's intent to manage each series of the Michigan Term Series in a manner that produces a NAV of \$1.00 per share on each planned redemption date, however, there is no assurance that this objective will be achieved.

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy

Clio Area Schools
Notes to the Financial Statements
June 30, 2022

for custodial credit risk. As of year end, \$ 16,231,115 of the School District's bank balance of \$ 16,481,115 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2022, none of the School District's investments were exposed to custodial credit risk.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 90,000	\$ -	\$ -	\$ 90,000
Construction-in-progress	88,044	11,796,257	88,044	11,796,257
Total capital assets not being depreciated	178,044	11,796,257	88,044	11,886,257
Capital assets being depreciated				
Buildings and additions	16,415,822	1,016,078	-	17,431,900
Equipment and furniture	1,998,612	572,599	-	2,571,211
Buses and other vehicles	1,033,393	491,179	-	1,524,572
Total capital assets being depreciated	19,447,827	2,079,856	-	21,527,683
Less accumulated depreciation for				
Buildings and additions	7,403,423	747,642	-	8,151,065
Equipment and furniture	859,345	161,679	-	1,021,024
Buses and other vehicles	450,646	171,625	-	622,271
Total accumulated depreciation	8,713,414	1,080,946	-	9,794,360
Net capital assets being depreciated	10,734,413	998,910	-	11,733,323
Net capital assets	\$ 10,912,457	\$ 12,795,167	\$ 88,044	\$ 23,619,580

Clio Area Schools
Notes to the Financial Statements
June 30, 2022

Depreciation for the fiscal year ended June 30, 2022 amounted to \$ 1,080,946. The School District allocated depreciation to the various governmental activities as follows:

Instruction	\$ 614,031
Support services	400,866
Food services	52,359
Community services	<u>13,690</u>
Total governmental activities	<u>\$ 1,080,946</u>

Construction Contracts

As of year end, the School District had the following construction contracts in progress:

Project	Total Contract	Amount Paid on Contract	Contract Payable at Year End
Athletic renovations	\$ 3,172,268	\$ 3,172,268	\$ -
Elementary renovations	9,393,859	8,538,235	855,624
HS renovations	<u>85,754</u>	<u>85,754</u>	<u>-</u>
Total	<u>\$ 12,651,881</u>	<u>\$ 11,796,257</u>	<u>\$ 855,624</u>

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
Nonmajor Funds	General Fund	\$ 19,014
Nonmajor Funds	2020 Capital Projects Fund	113,126
General Fund	Nonmajor Funds	7,892
Nonmajor Funds	Nonmajor Funds	<u>10</u>
		<u>\$ 140,042</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

Transfers Out			
General Fund	2022 Capital Projects Fund	Nonmajor Funds	Total
Transfers in			
General Fund	\$ -	\$ -	\$ 17,467
Nonmajor Funds	<u>2,934</u>	<u>209,090</u>	<u>-</u>
	<u>\$ 2,934</u>	<u>\$ 209,090</u>	<u>\$ 229,491</u>

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities. Transfers from the 2022 Capital Projects Fund were made to the Debt Service Funds to cover interest expenses paid on the 2022 debt issued.

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Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 31,349</u>
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Note 7 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and premiums payable					
General obligation bonds	\$ 19,700,000	\$ 19,425,000	\$ 1,660,000	\$ 37,465,000	\$ 1,760,000
Premium on bonds	<u>330,718</u>	<u>563,830</u>	<u>25,918</u>	<u>868,630</u>	-
	20,030,718	19,988,830	1,685,918	38,333,630	1,760,000
Notes from direct borrowings and direct placements					
Notes payable	<u>51,152</u>	-	<u>51,152</u>	-	-
Other liabilities					
Compensated absences	<u>152,418</u>	<u>36,965</u>	<u>57,485</u>	<u>131,898</u>	<u>47,000</u>
Total	<u>\$ 20,234,288</u>	<u>\$ 20,025,795</u>	<u>\$ 1,794,555</u>	<u>\$ 38,465,528</u>	<u>\$ 1,807,000</u>

For governmental activities, compensated absences and notes payable are primarily liquidated by the General Fund.

General Obligation Bonds

General obligation bonds payable at year end, consist of the following:

\$ 20,955,000 serial bond due in annual installments of \$ 1,760,000 to \$ 660,00 through May 1, 2047, interest at 2.25% to 2.63%	\$ 18,040,000
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\$ 19,425,000 serial bond due in annual installments of \$ 945,000 to \$ 140,00 through May 1, 2047, interest at 4.00% to 4.25%	<u>19,425,000</u>
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Total general obligation bonded debt	<u>\$ 37,465,000</u>
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Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,760,000	\$ 1,092,593	\$ 2,852,593
2024	800,000	1,166,250	1,966,250
2025	1,255,000	1,145,800	2,400,800
2026	1,330,000	1,107,150	2,437,150
2027	1,370,000	1,065,500	2,435,500
2028 - 2032	7,285,000	4,652,213	11,937,213
2033 - 3037	7,505,000	3,461,950	10,966,950
2038 - 2042	7,885,000	2,230,394	10,115,394
2043 - 2047	<u>8,275,000</u>	<u>870,544</u>	<u>9,145,544</u>
	<u>\$ 37,465,000</u>	<u>\$ 16,792,394</u>	<u>\$ 54,257,394</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 661,187 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end, consist of accrued personal time benefits and accrued sick time benefits. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

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Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. There were no unemployment expenditures for the year. No provision has been made for possible future claims.

Note 9 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) 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. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. 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

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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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2021.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$4,476,940 for the year ending September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$ 35,300,277 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers

during the measurement period. At September 30, 2021, the School District's proportion was .1491 percent, which was a decrease of .0029 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized pension expense of \$ 2,737,331 during the reporting period. For the reporting period ending June 30, 2022, the School District recognized total pension contribution expense of \$ 4,939,107.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 546,816	\$ (207,877)	\$ 338,939
Changes of assumptions	2,225,203	-	2,225,203
Net difference between projected and actual earnings on pension plan investments	-	(11,348,925)	(11,348,925)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	-	(2,088,105)	(2,088,105)
Total to be recognized in future	2,772,019	(13,644,907)	(10,872,888)
School District contributions subsequent to the measurement date	4,560,086	(2,302,730)	2,257,356
Total	<u>\$ 7,332,105</u>	<u>\$(15,947,637)</u>	<u>\$(8,615,532)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The District will offset the contribution expense in the year ended June 30, 2023 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2022	\$ (1,980,111)
2023	(2,652,086)
2024	(3,086,870)
2025	<u>(3,153,821)</u>
	<u>\$(10,872,888)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.80% net of investment expenses
 - Pension Plus Plan: 6.80% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses

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- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - 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.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4367 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2021 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

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

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

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0 for the

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Pension plus 2 plan). 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80 for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 50,469,822	\$ 35,300,277	\$ 22,723,729

**Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.*

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 10 - Post-employment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) 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. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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Benefits Provided

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 healthcare 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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 were deposited into their 401(k) account.

Contributions

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

Employer OPEB 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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2021.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.0%	7.57%

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Required contributions to the OPEB plan from the School District were \$ 1,096,110 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$ 2,253,775 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was .1477 percent, which was a decrease of .0023 from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized OPEB expense of (\$ 1,560,612) during the measurement period. For the reporting period ending June 30, 2022, the School District recognized total OPEB contribution expense of \$ 818,176.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$(6,433,241)	\$(6,433,241)
Changes of assumptions	1,884,044	(281,923)	1,602,121
Net difference between projected and actual earnings on OPEB plan investments	-	(1,698,711)	(1,698,711)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>18,116</u>	<u>(817,045)</u>	<u>(798,929)</u>
Total to be recognized in future	1,902,160	(9,230,920)	(7,328,760)
School District contributions subsequent to the measurement date	<u>672,645</u>	<u>-</u>	<u>672,645</u>
Total	<u>\$ 2,574,805</u>	<u>\$(9,230,920)</u>	<u>\$(6,656,115)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2022	\$(1,999,372)
2023	(1,807,415)
2024	(1,573,348)
2025	(1,398,213)
2026	(486,576)
Therafter	(63,836)
	<u><u>\$(7,328,760)</u></u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%

- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15, 3.0% Year 120
- Mortality:
 - 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.

Other Assumptions:

- 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 coverages 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.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 6.1312 years.

Recognition period for assets is 5 years.

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Full actuarial assumptions are available in the 2020 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

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

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

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan

investment expense, was 27.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A 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 employer 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 School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
<u>\$ 4,187,921</u>	<u>\$ 2,253,775</u>	<u>\$ 612,376</u>

Clio Area Schools
Notes to the Financial Statements
June 30, 2022

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 548,551	\$ 2,253,775	\$ 4,172,358

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 11 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment 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 costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2022.

Note 12 - Tax Abatements

School Districts may receive reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the various municipalities within the School District boundaries. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2022, the School District's property tax revenues were not reduced by any amounts under these programs.

There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Clio Area Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 3,156,690	\$ 3,308,941	\$ 3,325,682	\$ 16,741
State sources	24,463,020	25,732,099	25,836,698	104,599
Federal sources	2,147,604	6,801,442	6,836,014	34,572
Interdistrict sources	610,462	595,826	581,492	(14,334)
Total revenues	30,377,776	36,438,308	36,579,886	141,578
Expenditures				
Instruction				
Basic programs	14,880,553	15,495,443	15,391,529	(103,914)
Added needs	3,749,734	4,029,206	3,809,598	(219,608)
Supporting services				
Pupil	1,814,410	1,974,106	1,953,494	(20,612)
Instructional staff	874,284	1,327,528	1,073,397	(254,131)
General administration	699,340	469,517	453,302	(16,215)
School administration	2,086,482	2,175,813	2,225,176	49,363
Business	546,616	483,243	463,541	(19,702)
Operations and maintenance	2,370,245	3,120,621	2,837,873	(282,748)
Pupil transportation services	1,871,871	1,931,757	1,785,375	(146,382)
Central	651,112	853,517	581,256	(272,261)
Athletic activities	531,361	849,454	688,300	(161,154)
Community services	498,630	477,037	428,100	(48,937)
Debt service				
Principal	2,800	51,152	51,152	-
Interest and fiscal charges	-	4,648	1,224	(3,424)
Total expenditures	30,577,438	33,243,042	31,743,317	(1,499,725)
Excess of revenues over expenditures	(199,662)	3,195,266	4,836,569	1,641,303

Clio Area Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other Financing Sources (Uses)				
Insurance recoveries	\$ -	\$ 15,240	\$ 15,240	\$ -
Transfers in	21,000	21,000	17,467	(3,533)
Transfers out	-	-	(2,934)	2,934
Total other financing sources (uses)	21,000	36,240	29,773	(599)
Net change in fund balance	(178,662)	3,231,506	4,866,342	1,634,836
Fund balance - beginning	7,719,692	7,719,692	7,719,692	-
Fund balance - ending	<u>\$ 7,541,030</u>	<u>\$ 10,951,198</u>	<u>\$ 12,586,034</u>	<u>\$ 1,634,836</u>

Clio Area Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A.	School district's proportion of the net pension liability (%)	0.1491%	0.1520%	0.1564%	0.1672%	0.1672%	0.1707%	0.1710%	0.1776%		
B.	School district's proportionate share of the net pension liability	\$ 35,300,277	\$ 52,209,645	\$ 51,810,059	\$ 49,040,130	\$ 43,339,165	\$ 42,582,954	\$ 41,769,788	\$ 39,118,050		
C.	School district's covered payroll	\$ 13,193,737	\$ 13,215,393	\$ 13,337,173	\$ 13,586,957	\$ 13,822,854	\$ 14,408,819	\$ 14,273,917	\$ 15,270,293		
D.	School district's proportionate share of the net pension liability as a percentage of its covered payroll	267.55%	395.07%	388.46%	360.94%	313.53%	295.53%	292.63%	256.17%		
E.	Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%		

Notes:

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

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

Clio Area Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A.	Statutorily required contributions for the measurement period	\$ 4,939,107	\$ 4,448,076	\$ 4,192,602	\$ 3,891,921	\$ 4,470,488	\$ 2,550,323	\$ 2,686,171	\$ 3,217,031		
B.	Contributions in relation to statutorily required contributions	<u>\$ 4,939,107</u>	<u>\$ 4,448,076</u>	<u>\$ 4,192,602</u>	<u>\$ 3,891,921</u>	<u>\$ 4,470,488</u>	<u>\$ 2,550,323</u>	<u>\$ 2,686,171</u>	<u>\$ 3,217,031</u>		
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
D.	School district's covered payroll	\$13,003,587	\$13,143,484	\$13,281,159	\$13,357,473	\$13,621,666	\$13,547,197	\$13,884,740	\$14,537,616		
E.	Contributions as a percentage of covered payroll	37.98%	33.84%	31.57%	29.14%	32.82%	18.83%	19.35%	22.13%		

Clio Area Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

		<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
A.	School district's proportion of the net OPEB liability (%)	0.1477%	0.1499%	0.1532%	0.1600%	0.1671%					
B.	School district's proportionate share of the net OPEB liability	\$ 2,253,775	\$ 8,032,412	\$10,995,111	\$12,718,923	\$14,796,344					
C.	School district's covered payroll	\$13,193,737	\$13,215,393	\$13,337,173	\$13,586,957	\$13,822,854					
D.	School district's proportionate share of the net OPEB liability as a percentage of its covered payroll	17.08%	60.78%	82.44%	93.61%	107.04%					
E.	Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%					

Notes:

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

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

Clio Area Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A.	Statutorily required contributions for the measurement period	\$ 818,176	\$ 1,071,750	\$ 1,042,085	\$ 1,054,244	\$ 1,006,907					
B.	Contributions in relation to statutorily required contributions	<u>\$ 818,176</u>	<u>\$ 1,071,750</u>	<u>\$ 1,042,085</u>	<u>\$ 1,054,244</u>	<u>\$ 1,006,907</u>					
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
D.	School district's covered payroll	\$ 13,003,587	\$13,143,484	\$13,281,159	\$13,357,473	\$13,621,666					
E.	Contributions as a percentage of covered payroll	6.29%	8.15%	7.85%	7.89%	7.39%					

OTHER SUPPLEMENTARY INFORMATION

Clio Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	<u>Food Service</u>	<u>Transportation</u>	<u>Student Activity</u>	<u>Debt Fund</u>	<u>Sinking Fund</u>	
Assets						
Cash	\$ 1,273,785	\$ 34,535	\$ 346,953	\$ 661,252	\$ 778,879	\$ 3,095,404
Due from other funds	10	-	7,892	-	-	7,902
Due from other governmental units	108,796	32,829	-	-	-	141,625
Inventory	<u>20,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,167</u>
Total assets	<u>\$ 1,402,758</u>	<u>\$ 67,364</u>	<u>\$ 354,845</u>	<u>\$ 661,252</u>	<u>\$ 778,879</u>	<u>\$ 3,265,098</u>

Clio Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Transportation	Student Activity	Debt Fund	Sinking Fund	
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 105,034	\$ -	\$ 8,908	\$ -	\$ 365,000	\$ 478,942
Due to other funds	132,045	-	10	65	30	132,150
Total liabilities	237,079	-	8,918	65	365,030	611,092
Fund Balances						
Non-spendable						
Inventory	20,167	-	-	-	-	20,167
Restricted for						
Food service	1,145,512	-	-	-	-	1,145,512
Debt service	-	-	-	661,187	-	661,187
Capital projects	-	-	-	-	413,849	413,849
Committed	-	-	345,927	-	-	345,927
Assigned for transportation	-	67,364	-	-	-	67,364
Total fund balances	1,165,679	67,364	345,927	661,187	413,849	2,654,006
Total liabilities and fund balances	\$ 1,402,758	\$ 67,364	\$ 354,845	\$ 661,252	\$ 778,879	\$ 3,265,098

Clio Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Transportation	Student Activity	Debt Fund	Sinking Fund	
Revenues						
Local sources	\$ 80,146	\$ 449,082	\$ 101,568	\$ 2,154,730	\$ 270,682	\$ 3,056,208
State sources	75,503	-	-	-	-	75,503
Federal sources	1,835,938	-	-	-	-	1,835,938
Total revenues	<u>1,991,587</u>	<u>449,082</u>	<u>101,568</u>	<u>2,154,730</u>	<u>270,682</u>	<u>4,967,649</u>
Expenditures						
Current						
Education						
Supporting services	-	381,718	91,914	-	-	473,632
Food services	1,637,293	-	-	-	-	1,637,293
Capital outlay	-	-	-	-	847,647	847,647
Debt service						
Principal	-	-	-	1,660,000	-	1,660,000
Interest and other expenditures	-	-	-	459,113	-	459,113
Total expenditures	<u>1,637,293</u>	<u>381,718</u>	<u>91,914</u>	<u>2,119,113</u>	<u>847,647</u>	<u>5,077,685</u>
Excess of revenues over expenditures	354,294	67,364	9,654	35,617	(576,965)	(110,036)
Other Financing Sources (Uses)						
Transfers in	2,934	-	-	209,090	-	212,024
Transfers out	(17,467)	-	-	-	-	(17,467)
Total other financing sources (uses)	<u>(14,533)</u>	<u>-</u>	<u>-</u>	<u>209,090</u>	<u>-</u>	<u>194,557</u>
Net change in fund balances	339,761	67,364	9,654	244,707	(576,965)	84,521
Fund balances - beginning	825,918	-	336,273	416,480	990,814	2,569,485
Fund balances - ending	<u>\$ 1,165,679</u>	<u>\$ 67,364</u>	<u>\$ 345,927</u>	<u>\$ 661,187</u>	<u>\$ 413,849</u>	<u>\$ 2,654,006</u>

Clio Area Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2022

Year Ending June 30,	2020 Building & Site	2022 Building & Site	Total
2023	\$ 1,760,000	\$ -	\$ 1,760,000
2024	660,000	140,000	800,000
2025	660,000	595,000	1,255,000
2026	660,000	670,000	1,330,000
2027	660,000	710,000	1,370,000
2028 - 2032	3,315,000	3,970,000	7,285,000
2033 - 3037	3,340,000	4,165,000	7,505,000
2038 - 2042	3,425,000	4,460,000	7,885,000
2043 - 2047	<u>3,560,000</u>	<u>4,715,000</u>	<u>8,275,000</u>
Total	<u>\$ 18,040,000</u>	<u>\$ 19,425,000</u>	<u>\$ 37,465,000</u>
Principal payments due the first day of	May	May	
Interest payments due the first day of	May and November	May and November	
Interest rate	2.25% - 2.63%	4.00% - 4.25%	
Original issue	<u>\$ 20,955,000</u>	<u>\$ 19,425,000</u>	