

**NORTH CENTRAL AREA SCHOOLS
Powers Michigan**

**Audited Financial Statements and
Additional Supplemental Information**

**For the Year Ended
June 30, 2022**

North Central Area Schools

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To the Board of Education
North Central Area Schools
Powers Michigan

INDEPENDENT AUDITOR'S REPORT

OPINIONS

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

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

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School's, 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 the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is 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, 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

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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 the School's 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 the School's 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, the major fund budgetary comparison schedule and the pension and OPEB system schedules of funding progress and employer contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER SUPPLEMENTARY INFORMATION

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

OTHER REPORTING REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report letter dated October 18, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 or on compliance and results of that testing and not to provide an opinion on the effectiveness of the School's internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Johnson & Rennie, LLC
Menominee, Michigan
October 28, 2022

North Central Area Schools
Management's and Discussion Analysis
For the Year Ended June 30, 2022

Management's Discussion and Analysis

This section of the North Central Area School District's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2022. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2022.

District-Wide Financial Statements

The District-Wide financial statements appear first in the financial report. These financial statements include the statement of net position and the statement of activities. They report information about the School District as a whole. The statements prepared using the accrual basis of accounting which is the accounting method used by most private sector businesses. The statement of net position includes all of the School District's assets and liabilities. All current year revenues and expenses are reported for in the statement of activities. The two statements report the Governmental activities of the School District that include all services performed by the School District including but not limited to instruction, support services, food services, athletics and debt service. These activities are funded mostly by State aid as determined by pupil counts, Federal and State grants and local property taxes.

The statement of net position as stated previously, shows the School District's assets and liabilities. The corresponding balance between the amounts calculates the net position or deficits of the School District. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the School District; the greater the net asset figure, the healthier the School District generally is. This shows if the School District will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net position on a revenue less expenditure basis. It generally shows the operating results for a given year of the School District. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net position (or reduces a deficit) available to fund future needs of the School District.

Fund Financial Statements

The School District's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, which is the operating fund of the School District, and QZAB debt service fund accounting for monies set aside to retire a bond. All other funds of the School District are considered non-major and are reported as one column. Separate funds are often required to be set up and separately recorded due to State or Federal statutes or by bond covenants or other contractual agreements. The School District may also choose to set up separate funds to better control and track certain monies. All of the School District's services are reported in Governmental types. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

North Central Area Schools
Management's and Discussion Analysis (continued)
For the Year Ended June 30, 2022

Fund Financial Statements (continued)

The School District has the following non-major Governmental Funds. The School District operates the following:

1. Food Service Fund which accounts for the Breakfast and Food Service Programs.
2. 2014 Capital Projects Fund accounting for activity of that bond issue.
3. 2014 Debt Service Fund which accounts for tax collections received and the payments of interest and principle on the school bonds.
4. Activities Fund – Accounting for Organizations that the School controls.

Fiduciary Funds are funds that account for certain activities in which the School District acts as a trustee or in an agent capacity. The School also maintains a Private Purpose Trust Fund which is a scholarship fund used for proceeds from donations for student scholarships. These activities are not included in the District-Wide financial statements as they represent resources that are not available for the School District's operations.

Governmental Funds are accounted for by using an accounting method called modified accrual accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The Governmental Fund financial statements show detail of operations for a given year according to this method of accounting. This is similar to how the School District reported their finances in the past. The individual fund statements help determine what financial resources are available on a short-term basis to fund operations.

Since the District-Wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

District-wide Financial Statements - Condensed Financial Information

Statement of Net Position

The School District continued GASB 68 and GASB 75 – Items previously reported as Assets and Liabilities Accounting and Financial Reporting for other post benefit plans. These required Net Pension and OPEB Liabilities be recorded in the Statement of Net Position. In North Central Area Schools, the liability as of June 30, 2022 and 2021 was \$5,125,201 and \$7,777,188 respectively. Recording this liability under GASB 68 and GASB 75 resulted in a deficit in the Statement of Net Position of \$5,109,266 and \$5,594,769 respectively.

The table on the following page shows the Governmental Activities condensed statement of net position with a detailed analysis of the statement.

North Central Area Schools
Management's and Discussion Analysis (continued)
For the Year Ended June 30, 2022

District-wide Financial Statements - Condensed Financial Information (continued)
Statement of Net Position (continued)

The following table shows the Governmental Activities condensed statement of net position with a detailed analysis of the statement below.

| | Governmental Activities | |
|------------------------------------------------------------------------------------|----------------------------|-----------------------|
| | 2021 | 2022 |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,309,580 | \$ 1,129,132 |
| Due from other Governmental units | 819,014 | 863,870 |
| Total Current Assets | <u>2,128,594</u> | <u>1,993,002</u> |
| Noncurrent Assets: | | |
| Capital Assets, net of accumulated Depreciation and amortization of \$4,428,798 | <u>2,380,312</u> | <u>2,313,672</u> |
| Total Noncurrent Assets | <u>2,380,312</u> | <u>2,313,672</u> |
| Deferred Outflow of Resources Employee - Pension | 1,520,822 | 1,266,429 |
| Deferred Outflow of Resources Employee - OPEB | 383,090 | 365,749 |
| Total Assets and Deferred Outflow | <u>6,412,818</u> | <u>5,938,852</u> |
| Liabilities | | |
| Current Liabilities: | | |
| Accrued salaries and benefits | 277,711 | 276,858 |
| Other current liabilities | 809,625 | 786,418 |
| Total Current Liabilities | <u>1,087,336</u> | <u>1,063,276</u> |
| Noncurrent Liabilities: | | |
| Long-term liabilities, net of current portion of \$180,000 | 1,760,394 | 1,550,058 |
| Net pension liability - Pension | 6,724,353 | 4,807,186 |
| Net pension liability - OPEB | 1,052,835 | 318,015 |
| Total Noncurrent Liabilities | <u>9,537,582</u> | <u>6,675,259</u> |
| Total Liabilities | <u>10,624,918</u> | <u>7,738,535</u> |
| Deferred Inflow of Resources | | |
| Unavailable revenue | 83,347 | 47,179 |
| Employee retirement system | 185,952 | 1,700,454 |
| OPEB | 858,213 | 1,246,671 |
| State aide Funding for pensions | 255,157 | 315,279 |
| Total Deferred Inflow of Resources | <u>1,382,669</u> | <u>3,309,583</u> |
| Net Position | | |
| Net Investment (deficit) in capital assets | 595,538 | 718,662 |
| Restricted | 529,229 | 597,896 |
| Unrestricted | (6,719,536) | (6,425,824) |
| Total Net Position | <u>\$ (5,594,769)</u> | <u>\$ (5,109,266)</u> |

North Central Area Schools
Management's and Discussion Analysis (continued)
For the Year Ended June 30, 2022

District-wide Financial Statements - Condensed Financial Information (continued)

Statement of Net Position (continued)

As mentioned, the previous table shows the School District's net position as a deficit of \$5,109,266 at June 30, 2022. The deficit includes changes under GASB 68 and GASB 75 and records the net pension and OPEB liability of \$5,125,201. Capital assets net of related debt is reported as an investment of \$718,622. This figure is derived by taking the original costs of the School District's assets less the accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Most of the debt related to the capital assets will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position includes \$597,896 that will be used for this Debt Service Capital Assets in the coming year and Food Service cost.

The unrestricted net position is reported as a deficit of \$6,425,824 as of June 30, 2022. This is the net accumulated results of the past years operations. The deficit in the unrestricted net position shows that the School District does not have ample amounts of assets to fund liabilities at June 30, 2022.

Statement of Activities

The results of operations for the School District as a whole are reported in the statement of activities (see condensed table below). This statement shows the changes in net position for the fiscal year ended June 30. The current year results include implementation of GASB 68 and GASB 75.

| | Government Activities | |
|--------------------------------------------|--------------------------|-------------------|
| | 2021 | 2022 |
| Revenue | | |
| Program Revenue: | | |
| Charges for services | \$ 178,567 | \$ 236,345 |
| Operating grants and entitlements | 1,322,512 | 1,433,478 |
| State categoricals | 14,093 | - |
| General Revenue: | | |
| Property taxes | 1,082,045 | 1,028,043 |
| State aid | 1,963,789 | 2,184,517 |
| Other | 56,454 | 74,620 |
| Total Revenue | 4,617,460 | 4,957,003 |
| Functions/Program Expenses | | |
| Instruction | 2,533,146 | 2,349,378 |
| Supporting services | 1,359,821 | 1,381,060 |
| Food services | 235,896 | 300,716 |
| Athletics | 85,551 | 101,544 |
| Activities | 98,315 | 121,057 |
| Interest | 53,735 | 49,710 |
| Depreciation (Unallocated) | 175,459 | 168,035 |
| Total Expenses | 4,541,923 | 4,471,500 |
| Increase (Decrease) in Net Position | \$ 75,537 | \$ 485,503 |

North Central Area Schools
Management's and Discussion Analysis (continued)
For the Year Ended June 30, 2022

District-wide Financial Statements - Condensed Financial Information (continued)

As reported in the Statement of Activities, the School District had an overall increase in net position of \$485,503. The School District reports a deficit of net position of \$5,109,266 and the unrestricted net position of \$6,425,824 is in a deficit situation.

The School District's total revenues totaled \$4,957,003. Of this amount, the State aid accounts for 44% of total revenues or \$2,184,517. With declining enrollment, the School District's major source of revenue is not increasing in relation to the increase in expenses. Property taxes assessed to the residents of the School District not restricted for other purposes totaled \$843,497. This accounts for 17% of total revenue to be spent on general education and operating needs.

The School District's total cost to fund all Governmental activities was \$4,471,500. Approximately 37% or \$1,669,823 of these costs were financed by those who benefitted from the service or funded by grants from other Governmental agencies. This shows the importance of budgeting and determining what programs the School District will fund with unrestricted revenues on a yearly basis.

Fund Financial Statements

The Governmental Fund financial statements report the School District's finances under modified accrual accounting as previously discussed. The fund balance totaled \$1,069,923 at June 30, 2022. It decreased for all Governmental Funds by \$71,239 for the year.

The activity for the Major Fund Balances were as follows:

The General Fund had a fund balance decrease of \$150,013, compared to the prior year increase of \$215,748. Lack of student growth in the area surrounding the School District has resulted in the School District having to control costs in all areas of the operations.

The QZAB Fund is a Major Fund for the year ended June 30, 2022. This fund increased \$34,470 which is set aside for debt retirement.

The activity for the Non-Major Funds increased \$44,304 and consisted as follows:

The Hot Lunch Fund increased by \$64,604.

The 2014 Capital Projects Fund decreased \$24. This fund accounts for the voter approved bond issue used for building renovation and equipment and will be closed out.

The 2014 Debt Service Fund decreased \$30,346. This money is to cover future interest on those bonds.

Activities Fund had an increase of \$10,070.

Major Governmental Funds Budgeting and Operating Highlights

The School Districts budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, usually before the State of Michigan enacts its budget or most grants are awarded. Therefore, it is expected that there will be significant changes between the initial budget and subsequent budgets, as actual grant awards are known. The most significant fund budgeting is the General Fund.

North Central Area Schools
Management's and Discussion Analysis (continued)
For the Year Ended June 30, 2022

Major Governmental Funds Budgeting and Operating Highlights (continued)

The budget was amended one time during the year. The budget includes estimated State revenues until the actual amount is determined. Since a major portion of the District is funded by these revenues, budget amendments are necessary to include these funds. The Budget History for the General Fund is as follows:

General Fund

General Fund Revenue Budget vs. Actual History

| Fiscal Year | Revenues Original Budget | Revenues Final Budget | Revenues Final Actual | Rev. Var. Actual vs. Final Budget |
|-------------|-----------------------------|--------------------------|--------------------------|--------------------------------------|
| 2018-2019 | 3,666,035 | 3,752,907 | 3,617,159 | (135,748) |
| 2019-2020 | 3,622,672 | 3,873,538 | 3,715,081 | (158,457) |
| 2020-2021 | 3,553,349 | 4,086,563 | 3,994,382 | (92,181) |
| 2021-2022 | 3,856,817 | 5,324,536 | 4,263,440 | (1,061,096) |

General Fund Expenditures Budget vs. Actual History

| Fiscal Year | Expenditures Original Budget | Expenditures Final Budget | Expenditures Final Actual | Exp. Var. Actual vs. Final Budget |
|-------------|---------------------------------|------------------------------|------------------------------|--------------------------------------|
| 2018-2019 | 3,687,103 | 3,749,075 | 3,556,084 | 192,991 |
| 2019-2020 | 3,579,358 | 3,826,877 | 3,646,052 | 180,825 |
| 2020-2021 | 3,575,660 | 3,885,438 | 3,738,388 | 147,050 |
| 2021-2022 | 4,059,168 | 4,830,322 | 4,381,790 | 448,532 |

No budget was adopted or required for the 2014 Capital Projects Fund or Debt Service Funds.

Capital Assets

At June 30, 2022, the School District had \$2,308,089 invested in Capital Assets. This included a net decrease of \$65,710 during the past fiscal year. There was Capital Outlay of \$102,325 during the year end June 30, 2022.

There was depreciation during the fiscal year of \$168,035.

Debt

The School District has \$1,730,058 of long-term debt, including \$180,000 due in the next fiscal year. This includes bonds issued for construction and employee related benefits such as early retirement incentives, health insurance and sick pay accruals. The long-term debt decreased by \$205,336 during the year. The State allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District's boundaries. The School District is under this limit by a considerable amount. The notes to the financial statements provide detail of each long-term debt issue.

North Central Area Schools
Management's and Discussion Analysis (continued)
For the Year Ended June 30, 2022

Covid-19 Outbreak

The Covid-19 outbreak in the State of Michigan has resulted in government and business disruption throughout the State of Michigan. While the disruption has been temporary, there is considerable uncertainty as to the effect of the disruption on businesses and government. School management is unable to determine the potential negative impact this may have on current and future finances of the Schools at this time.

Contacting the School District

If you have any questions about this report or need additional information, contact the Superintendent's office at North Central Area Schools; Hermansville, Michigan.

Basic Financial Statements

North Central Area Schools
Statement of Net Position
June 30, 2022

| | Activities |
|------------------------------------------|----------------|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | \$ 1,129,132 |
| Due from other Governmental units | 863,870 |
| Total Current Assets | 1,993,002 |
| Non-Current Assets | |
| Capital assets | 6,728,515 |
| Less: accumulated depreciation | (4,420,426) |
| | 2,308,089 |
| Bond discount | 13,955 |
| Less: accumulated amortization | (8,372) |
| Total Non-Current Assets | 2,313,672 |
| Deferred Outflow of Resources - Pension | 1,266,429 |
| Deferred Outflow of Resources - OPEB | 365,749 |
| | 5,938,852 |
| Total Assets and Deferred Outflow | |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 96,486 |
| Due to other Government units | 662 |
| Accrued salaries and benefits | 276,858 |
| Accrued interest | 7,376 |
| Notes payable | 501,894 |
| Bonds payable, due within one year | 180,000 |
| Total Current Liabilities | 1,063,276 |
| Non-Current Liabilities | |
| Bonds payable | 1,415,010 |
| Compensated absences and severance pay | 135,048 |
| Net pension liability | 4,807,186 |
| Net OPEB liability | 318,015 |
| Total Non-Current Liabilities | 6,675,259 |
| Total Liabilities | 7,738,535 |
| Deferred Inflow of Resources | |
| Unavailable revenue | 47,179 |
| Pension | 1,700,454 |
| OPEB | 1,246,671 |
| State aide for pensions | 315,279 |
| Total Deferred Inflow of Resources | 3,309,583 |
| Net Position | |
| Net Investment in capital assets | 718,662 |
| Restricted | 597,896 |
| Unrestricted | (6,425,824) |
| Total Net Position | \$ (5,109,266) |

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

| | Expenses | Program Revenues | | Governmental Activities |
|-----------------------------------------------|-----------------------|-------------------------|------------------------------------------|------------------------------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
| GOVERNMENTAL FUNCTIONS | | | | |
| Current: | | | | |
| Instruction | \$ (2,349,378) | \$ - | \$ 1,070,113 | \$ (1,279,265) |
| Supporting services | (1,381,060) | 71,002 | - | (1,310,058) |
| Food services | (300,716) | 1,955 | 363,365 | 64,604 |
| Athletics | (101,544) | 32,261 | - | (69,283) |
| Activities | (121,057) | 131,127 | - | 10,070 |
| Interest on long-term debt | (49,710) | - | - | (49,710) |
| Depreciation (unallocated) | (168,035) | - | - | (168,035) |
| Total Governmental Functions | <u>\$ (4,471,500)</u> | <u>\$ 236,345</u> | <u>\$ 1,433,478</u> | <u>(2,801,677)</u> |
| GENERAL REVENUES | | | | |
| Property Taxes: | | | | |
| General purposes | | | | 843,497 |
| Debt services | | | | 184,546 |
| State aid not restricted for specific purpose | | | | 2,184,517 |
| Intermediate sources | | | | 28,000 |
| Interest and investment earnings | | | | 5,611 |
| Other | | | | 32,296 |
| Total General Revenues | | | | <u>3,278,467</u> |
| Sale of property | | | | 8,713 |
| Change in Net Position | | | | 485,503 |
| Net Position - Beginning of Year | | | | <u>(5,594,769)</u> |
| Net Position - End of Year | | | | <u>\$ (5,109,266)</u> |

North Central Area Schools
 Balance Sheet
 Governmental Funds
 For the Year Ended June 30, 2022

| | General | QZAB Debt Service Fund | Other Non-Major Governmental Funds | Total Governmental Funds |
|-----------------------------------|---------------------|------------------------------|------------------------------------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 383,033 | \$ 393,761 | \$ 352,338 | \$ 1,129,132 |
| Due from other Governmental units | 863,870 | - | - | 863,870 |
| Accounts receivable | - | - | - | - |
| Total Assets | \$ 1,246,903 | \$ 393,761 | \$ 352,338 | \$ 1,993,002 |

Liabilities, Deferred Inflow of Resources and Fund Balances

| | | | | |
|------------------------------|-------------------|----------|---------------|-------------------|
| Liabilities | | | | |
| Accounts payable | \$ 96,486 | - | - | \$ 96,486 |
| Accrued payroll and benefits | 276,858 | - | - | 276,858 |
| Note payable | 501,894 | - | - | 501,894 |
| Due to Governmental units | - | - | 662 | 662 |
| Total Liabilities | \$ 875,238 | - | \$ 662 | \$ 875,900 |

Deferred Inflow of Resources

| | | | | |
|-------------------------------------------|------------------|----------|----------|------------------|
| Unavailable revenue | 47,179 | - | - | 47,179 |
| Total Deferred Inflow of Resources | \$ 47,179 | - | - | \$ 47,179 |

Fund Balance

| | | | | |
|-----------------------------|-------------------|-------------------|-------------------|---------------------|
| Restricted to hot lunch | - | - | 134,990 | 134,990 |
| Restricted for debt service | - | 393,761 | 69,205 | 462,966 |
| Committed to capital outlay | - | - | 40 | 40 |
| Committed to activities | - | - | 147,441 | 147,441 |
| Unassigned | 324,486 | - | - | 324,486 |
| Total Fund Balance | \$ 324,486 | \$ 393,761 | \$ 351,676 | \$ 1,069,923 |

Total Liabilities, Deferred Inflow of Resources and Fund Balance

| | | | | |
|--|--------------|------------|------------|--------------|
| | \$ 1,246,903 | \$ 393,761 | \$ 352,338 | \$ 1,993,002 |
|--|--------------|------------|------------|--------------|

North Central Area Schools
Reconciliation of Governmental Funds Balance Sheet
With the Statement of Net Position
For the Year Ended June 30, 2022

Total Governmental Fund Balance \$ 1,069,923

Amounts Reported for Governmental Activities in the Statement of Net Position Because:

Capital Assets used in Governmental Activities are not financial resources and are not reported in the funds

| | | |
|---------------------------------|--------------------|-----------|
| The Cost of Capital Assets are: | \$ 6,728,515 | |
| Accumulated Depreciation is: | <u>(4,420,426)</u> | 2,308,089 |

Long-term debt refinancing is not included as an asset in the debt retirement fund

| | | |
|--------------|----------------|-------|
| Costs | 13,955 | |
| Amortization | <u>(8,372)</u> | 5,583 |

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

| | | |
|----------------------|--|-------------|
| Bonds payable | | (1,595,010) |
| Compensated absences | | (135,048) |

Accrued interest is not included as a liability in Governmental Funds (7,376)

Net Pension obligations are not due and payable in the current period and therefore, are not reported in the funds

| | | |
|-------------------------|--|-------------|
| Net pension liability | | (4,807,186) |
| Net OPEB liability | | (318,015) |
| State aide for pensions | | (315,279) |

Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds

| | | |
|----------------------------------------------------|--|--------------------|
| Deferred outflows of resources related to pensions | | 1,266,429 |
| Deferred inflows of resources related to pensions | | (1,700,454) |
| Deferred outflows of resources related to OPEB | | 365,749 |
| Deferred inflows of resources related to OPEB | | <u>(1,246,671)</u> |

| | | |
|-----------------------------------------|--|------------------------------|
| Net Position of Governmental Activities | | <u><u>\$ (5,109,266)</u></u> |
|-----------------------------------------|--|------------------------------|

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

| | General | QZAB Debt Service Fund | Other Non-Major Governmental Funds | Total Governmental Funds |
|------------------------------------------|-------------------|------------------------------|------------------------------------------|--------------------------------|
| Revenue | | | | |
| Local sources | \$ 1,054,515 | \$ 3,499 | \$ 317,986 | \$ 1,376,000 |
| State sources | 2,827,983 | - | 6,446 | 2,834,429 |
| Federal sources | 352,942 | - | 356,919 | 709,861 |
| Inter-district sources | 28,000 | - | - | 28,000 |
| Total Revenue | <u>4,263,440</u> | <u>3,499</u> | <u>681,351</u> | <u>4,948,290</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 2,617,882 | - | - | 2,617,882 |
| Supporting service | 1,661,583 | - | 300,740 | 1,962,323 |
| Activities | - | - | 121,057 | 121,057 |
| Debt Service: | | | | |
| Principal retirement | - | - | 175,000 | 175,000 |
| Interest and fees | - | 9,405 | 40,250 | 49,655 |
| Capital outlay | 102,325 | - | - | 102,325 |
| Total Expenditures | <u>4,381,790</u> | <u>9,405</u> | <u>637,047</u> | <u>5,028,242</u> |
| Excess of Revenues (Expenditures) | (118,350) | (5,906) | 44,304 | (79,952) |
| Other Financing Sources (Uses) | | | | |
| Sale of School property | 8,713 | - | - | 8,713 |
| Operating transfers in | - | 40,376 | - | 40,376 |
| Operating transfers out | (40,376) | - | - | (40,376) |
| Total Other Financing Sources | <u>(31,663)</u> | <u>40,376</u> | <u>-</u> | <u>8,713</u> |
| Net Change in Fund Balance | (150,013) | 34,470 | 44,304 | (71,239) |
| Fund Balance July 1 | 474,499 | 359,291 | 307,372 | 1,141,162 |
| Fund Balance June 30 | <u>\$ 324,486</u> | <u>\$ 393,761</u> | <u>\$ 351,676</u> | <u>\$ 1,069,923</u> |

North Central 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 Changes in Fund Balances - Total Governmental Funds **\$ (71,239)**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental Funds report Capital Outlays as expenditures in the statement of Activities. These costs are allocated over their estimated useful lives as depreciation.

| | | |
|----------------------|----------------|----------|
| Depreciation Expense | \$ (168,035) | |
| Capital Outlay | <u>102,325</u> | (65,710) |

Governmental Funds report debt refinancing cost as expenditures. In the statement of activities these costs are amortized over the life on the bonded debt.

| | | |
|--------------|--|-------|
| Amortization | | (930) |
|--------------|--|-------|

Accrued interest is recorded in the statement of activities when incurred. It is not reported in the Governmental Funds until paid.

875

Repayments of Bond Principal are an expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces long-term debt.)

175,000

Decreases in compensated absences are an expenditure in the Statement of Activities (where it decreases long-term debt.)

30,336

In the statement of activities, operating expenses for pension related items are measured by amounts earned during the year while the governmental funds report expenditures as amounts paid. This year the amount paid for pension related items was more than the amount earned.

88,150

In the statement of activities, operating expenses for OPEB related items are measured by amounts earned during the year while the governmental funds report expenditures as amounts paid. The amount paid for OPEB related items was less than the amount earned.

329,021

Change in Net Position as Governmental Activities

\$ 485,503

North Central Area Schools
Statement of Fiduciary Net Position
Fiduciary Funds For the Year Ended June 30, 2022

| | Private-Purpose Trust | Agency Scholarships | Total |
|-------------------------------------------|--------------------------|------------------------|-------------------|
| ASSETS | | | |
| Cash | \$ 137,063 | \$ 35,302 | \$ 172,365 |
| Total Assets | \$ 137,063 | \$ 35,302 | \$ 172,365 |
| LIABILITIES | | | |
| Due to student groups | \$ - | \$ - | \$ - |
| NET POSITION | | | |
| Reserve for scholarships | 137,063 | 35,302 | 172,365 |
| Total Net Position | 137,063 | 35,302 | 172,365 |
| Total Liabilities and Net Position | \$ 137,063 | \$ 35,302 | \$ 172,365 |

Statement of Changes in Fiduciary Net Position

| | Private-Purpose Trust | Agency Scholarships | Total |
|------------------------------------------|--------------------------|------------------------|-------------------|
| REVENUES | | | |
| Interest | \$ 69 | \$ - | \$ 69 |
| Contributions | - | 4,342 | 4,342 |
| Total Revenues | 69 | 4,342 | 4,411 |
| EXPENDITURES | | | |
| Scholarships | - | 8,733 | 8,733 |
| Total Expenditures | - | 8,733 | 8,733 |
| Excess Revenue Over (Under) Expenditures | 69 | (4,391) | (4,322) |
| Net Position | | | |
| Beginning Balance July 1 | 136,994 | 39,693 | 176,687 |
| Ending Balance June 30 | \$ 137,063 | \$ 35,302 | \$ 172,365 |

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of North Central Area Schools have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the School District's entity for financial reporting purposes nor is the School District a component unit of another entity. The criteria established for determining the various governmental organizations to be included in the School District's financial statements include oversight responsibility, scope of public service and special financing relationships. Based upon the application of these criteria the financial statements of the School District contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District.

Basis of Presentation

District-Wide Financial Statements

The School District-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the activities of the School District except for the fiduciary activities. All of the School District's activities are considered to be governmental activities. Interfund activity including operating transfers between activities and amounts due to and from governmental activities has been eliminated in the School District-wide statements.

Fund-Based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or non-major funds. The School District reports the following major governmental funds:

General Fund is the general operating fund of the School District. The fund is used to account for all financial resources except those required to be accounted for in another fund.

QZAB Debt Service Fund that is used to retire a bond issued for energy improvements.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund-Based Financial Statements (continued)

All other governmental funds are considered to be non-major. They include:

Two Special Revenue Funds are used by the School District to account for food services and Organization activities under control of the School District.

The 2014 Capital Projects Fund is used to account for building renovations and equipment funded by bond proceeds.

The 2014 Debt Service Fund is used to record tax, interest and other revenue for payments used on principal and other expenditures for that bond issue.

Fiduciary Funds

Private-Purpose Trust Fund - is used to account for assets held by the School District in a trustee capacity as administrator of scholarship under direct control of the School District.

Basis of Accounting

District-Wide Financial Statements

The District-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The statement of Activities reports net cost information based on the School District's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the School District provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state aid and other revenues that are not program revenues are reported as general revenues.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

District-wide Financial Statements (continued)

The governmental funds and fiduciary funds are accounted for by using the modified accrual basis of accounting as required by the Michigan Department of Education. Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current period liabilities.

The School District considers revenues to be available if collected within 60 days of the end of the period. Expenditures are recorded when the related liability is incurred. Exceptions to this general rule include certain compensated absences and principal and interest on long-term debt, both of which are recognized when due. Property taxes are recognized in the fiscal year for which the taxes have been levied.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Current property taxes are collected for the School District by the Townships of Harris, Gourley, Meyer and Spalding. School taxes are levied on July 1.

Delinquent real property taxes of the School District are purchased annually by the County of Menominee.

State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information regarding average pupil membership supplied by the districts. The funds received in July and August of 2022 are state appropriations for the year ended June 30, 2022, and, as such, are recorded as accounts receivable.

State Categorical Revenue

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts at local financial institutions.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

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

Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund-based financial statements.

Restricted Assets

Restricted assets consist of cash and cash equivalents of the Debt Services Funds required to be set aside for future bond principal and interest payments and Hot Lunch Fund required for that activity.

Inventories and Prepaid Items

Inventories are stated at cost and consist principally of supplies, heating fuel and bus fuel. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, school buses and vehicles and are reported in the School District-wide financial statements. Capital assets are defined by the School District as assets with an acquisition cost of more than \$2,000 with an estimated useful life in excess of one year. Assets meeting these criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the District-Wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method with a half month depreciation taken for assets purchased during the year over the following useful lives (land excluded as not depreciable):

| | |
|-----------------------------------------|---------------|
| Buildings | 20 - 50 years |
| Furniture, fixtures and other equipment | 05 - 20 years |
| School buses and vehicles | 08 - 15 years |

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the District-wide statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension 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. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contributions revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related Investments are reported at fair value.

Unemployment Insurance

The District reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the District.

Long-Term Obligations

The School District reports long-term debt and other long-term obligations in the District-wide statement of net position. Amounts are recorded at face value along with any accrued interest to June 30, 2022.

Net investment in Capital Assets

This is a portion of the net position of the School District that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Position

Net position not meeting either criteria above is considered unrestricted.

Fund Financial Statement

Fund balance measures the net financial resources available to finance expenditures of future periods. Fund balance is the difference between assets and liabilities reported in a Governmental fund. The School's Unassigned General Balance will be maintained to provide the School with sufficient working capital and a margin of safety to address local emergencies without unnecessary borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board. It is recognized that it will not always be possible to avoid borrowing to provide cash flow.

Fund balances of the School may be committed for a specific source by formal action of the Board. Amendments or modifications to the Commercial Fund Balance must also be approved by formal action of the Board. Committed Fund Balance does not lapse at year end.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Fund Financial Statement (continued)

The Board may delegate authority to assign fund balance for a specific purpose to the management of the School. Assigned Fund Balance does not lapse at year end.

Restricted Fund Balances are those amounts that can only be spent for the specific purposes stipulated by external resource providers.

Non-spendable Fund Balances include amounts that are not in a spendable form. The School reports prepaids as Non-spendable Fund Balances.

For purposes of fund balance classification, expenditures are to be spent from Restricted Fund Balance first (when appropriate) followed in order by Committed Fund Balance, Assigned Fund Balance, and lastly, Unassigned Fund Balance.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date of the audit report.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The School District follows these procedures in establishing the budgetary data reflected in the financial statements for the General and Special Revenue Funds. The School District is not legally required to adopt budgets for the Debt Service Funds and Capital Projects Fund.

1. Prior to July 1, the School District Superintendent submits to the Board of Education, proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. These budgets lapse at the end of each year.
6. Budgeted amounts presented in the financial statements are as originally adopted or as amended by the Board of Education prior to June 30, 2022.

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government (including School Districts) to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the School Districts actual revenues will deviate from those budgeted or if the school district's expenditures will exceed the amount appropriated. During the year ended June 30, 2022, the School District monitored and amended its budget and was in substantial compliance.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Public Act 275 of 1980 Disclosure

There were no deficits in any of the School District's fund-based financial statements as of June 30, 2022.

NOTE C DEPOSITS AND INVESTMENTS

The carrying amount of various deposits presented on the statement of net position as "Deposits and Investments" were made in financial institutions whose deposits are covered by federal depository insurance or in a municipal investment fund. All deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Education.

At June 30, 2022, cash and investments on deposit in financial institutions totaled \$1,396,881, of which \$387,063 was covered by depository insurance and \$1,009,818 exceeded insurance limits. The School District places its deposits and investments with, what it believes to be, high quality financial institutions. Although such deposits and investments were in uninsured funds, they are, in the opinion of the School District subject to minimal risk.

Transactions for governmental fund-types are recorded separately; however, the School District uses a common bank account to deposit and disburse cash of the General Fund and Special Revenue Funds.

The School District had no investments at June 30, 2022.

The School Board has adopted a formal investment policy.

The following disclosures are made to the School Board's deposits and investments:

Custodial Credit Risk

Custodial Credit Risk – Deposits. For a deposit, custodial credit risk is a risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The School Board maintains its deposit accounts at several financial institutions. The balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of the \$250,000 per interest bearing account and \$250,000 per non-interest bearing account.

As of January 1, 2013, the insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000.

For the purpose of these rules, the term 'time and savings' deposits includes NOW accounts and money market deposit accounts but does not include interest-bearing demand deposit accounts (which were permitted after July 21, 2011). The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal. The insurance coverage of accounts held by government depositors is different if the depository institution is located outside the State in which the public unit is located. In that case,

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE C DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

all deposits, both time and savings deposits and demand deposits, owned by the public unit and held by the public unit's official custodian are added together and insured up to \$250,000. Time and savings deposits are not insured separately from demand deposits. Management acknowledges the possibility of risk in this arrangement. However, the size and longevity of the depository institution minimizes such risk.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The School Board held no securities or deposits at financial institutions classified as investments under the Governmental Accounting Standard Board Statement No. 40 as of June 30, 2022.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by state statutes and the actual rating as of year end for each investment type.

| <u>Investment Type</u> | <u>Minimum Legal Rating</u> | <u>Rated as of Year End</u> | <u>Not Rated</u> |
|------------------------|---------------------------------|---------------------------------|---------------------|
| Money Market Funds | \$ 1,198,052 | Not Available | \$ 1,198,052 |
| | <u>\$ 1,198,052</u> | <u>\$ -</u> | <u>\$ 1,198,052</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the School Board manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the School Board's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the School Board's investments by maturity:

| Type | Total | Months | | | | |
|--------------|--------------|---------------------|-------------|-------------|-------------|-------------|
| | | < 12 | 13-24 | 25-36 | 37-48 | 49 + |
| Money Market | \$ 1,198,052 | \$ 1,198,052 | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 1,198,052 | <u>\$ 1,198,052</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE C DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Certain investments are highly sensitive to interest rate fluctuations, to a greater degree than already indicated in the information provided above. The School Board held no such investments as of June 30, 2022.

NOTE D CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

| | Balance 6/30/2021 | Additions | Disposals and Adjustments | Balance 6/30/2022 |
|-----------------------------------------|----------------------|--------------------|---------------------------------|----------------------|
| Assets not being Depreciated | | | | |
| Land | \$ 2,000 | \$ - | \$ - | \$ 2,000 |
| Capital Assets being Depreciated | | | | |
| Building and improvements | 5,831,643 | 16,758 | - | 5,848,401 |
| Buses and other vehicles | 401,313 | 67,569 | 35,525 | 433,357 |
| Furniture and equipment | 426,759 | 17,998 | - | 444,757 |
| Total | <u>6,661,715</u> | <u>102,325</u> | <u>35,525</u> | <u>6,728,515</u> |
| Accumulated Depreciation | | | | |
| Building and improvements | 3,541,093 | 123,260 | - | 3,664,353 |
| Buses and other vehicles | 370,587 | 30,507 | 35,525 | 365,569 |
| Furniture and equipment | 376,236 | 14,268 | - | 390,504 |
| Total | <u>4,287,916</u> | <u>168,035</u> | <u>35,525</u> | <u>4,420,426</u> |
| Net Capital Assets | <u>\$ 2,373,799</u> | <u>\$ (65,710)</u> | <u>\$ -</u> | <u>\$ 2,308,089</u> |

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE E LONG-TERM DEBT

Changes in long-term debt are summarized as follows:

| | Balance at June 30, 2021 | Additions | Deductions | Balance at June 30, 2022 |
|-------------------------------|-----------------------------|-------------|-------------------|-----------------------------|
| Deferred compensation | \$ 165,384 | \$ - | \$ 30,336 | \$ 135,048 |
| 2009 School imprv bonds | 495,010 | - | - | 495,010 |
| 2015 School bldg & site bonds | 1,275,000 | - | 175,000 | 1,100,000 |
| | <u>\$ 1,935,394</u> | <u>\$ -</u> | <u>\$ 205,336</u> | <u>\$ 1,730,058</u> |

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE E LONG-TERM DEBT (continued)

A summary of the School District's long-term debt at June 30, 2022 is presented below:

2014 School Building and Site Bonds

On February 20, 2014, the School District issued \$2,450,000 of 2014 School Building and Site & Refunding Bonds for budget and equipment. The bonds are unlimited tax general obligations of the School District and bear interest rates of several rates.

| Maturity | Interest | Principal | Interest | | Total |
|----------|----------|---------------------|------------------|------------------|---------------------|
| | Rate | | Nov 1 | May 1 | |
| 2023 | 3.00% | 180,000 | 17,425 | 17,425 | 214,850 |
| 2024 | 3.00% | 180,000 | 14,725 | 14,725 | 209,450 |
| 2025 | 3.00% | 185,000 | 12,025 | 12,025 | 209,050 |
| 2026 | 3.00% | 185,000 | 9,250 | 9,250 | 203,500 |
| 2027 | 3.00% | 185,000 | 6,475 | 6,475 | 197,950 |
| 2028 | 3.50% | 185,000 | 3,238 | 3,238 | 191,476 |
| | | <u>\$ 1,100,000</u> | <u>\$ 63,138</u> | <u>\$ 63,138</u> | <u>\$ 1,226,276</u> |

2009 School Improvement Bonds

On August 6, 2009, the School District issued \$495,010 of 2010 Improvement Qualified Zone Bonds for School Energy Improvements. The bonds are limited tax general obligations of the School District.

| Maturity | Interest | Principal | Interest | | Total |
|----------|----------|------------------|-----------------|-----------------|------------------|
| | Rate | | Nov 1 | May 1 | |
| 2023 | 1.90% | - | 4,703 | 4,703 | 9,406 |
| 2024 | 1.90% | 495,010 | 4,703 | - | 499,713 |
| | | <u>\$495,010</u> | <u>\$ 9,406</u> | <u>\$ 4,703</u> | <u>\$509,119</u> |

Accumulated Unpaid Employee Benefits

Deferred compensation payable consists of early retirement incentives and accumulated sick leave that the School District negotiated with teachers and is due to teachers upon their retirement.

This early retirement amount is calculated based on the following for eligible teachers:

| | |
|--------------------------------------------------------|-----------|
| At the end of the year which marks 30 years of service | \$ 16,000 |
| At the end of the year which marks 25 years of service | \$ 13,000 |
| At the end of the year which marks 20 years of service | \$ 10,000 |

The accumulated sick leave is paid up to fifty days at the teachers' average daily rate.

The support staff retirement is paid up to thirty days

The support staff sick days is paid up to thirty five days

The teacher years of service stipend is paid up to \$37.50

The total accrued is:

| | |
|-----------------------------------|-------------------|
| Teachers sick leave | \$ 81,000 |
| Support staff retirement | 5,340 |
| Support staff sick days | 33,296 |
| Teachers years of service stipend | 15,412 |
| | <u>\$ 135,048</u> |

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE E LONG-TERM DEBT (continued)

The aggregate amounts (principal and interest) due on long-term debt excluding employee benefits for the following periods are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------|---------------------|
| 2023 | 180,000 | 44,256 | 224,256 |
| 2024 | 675,010 | 34,153 | 709,163 |
| 2025 | 185,000 | 24,050 | 209,050 |
| 2026 | 185,000 | 18,500 | 203,500 |
| 2027 | 185,000 | 12,950 | 197,950 |
| 2028 | 185,000 | 6,476 | 191,476 |
| | <u>\$ 1,595,010</u> | <u>\$ 140,385</u> | <u>\$ 1,735,395</u> |

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. 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

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Benefits Provided

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 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 October 1, 2020 and ending September 30, 2038.

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

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

Required contributions to the pension plan from North Central Area Schools were \$609,669 for the year ended September 30, 2021.

PENSION, LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2021, North Central Area Schools reported a liability of \$4,807,186 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021 and the total pension liability used to calculate the net position liability was determined by an actuarial valuation rolled forward from September 2020. North Central Area School's proportion of the net pension liability was determined by dividing each employers 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, North Central Area School's proportion was .0002030455 percent, which was an increase of .0001957537 percent from its proportion measured as of September 30, 2020.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

For the year ended June 30, 2022, North Central Area Schools recognized pension expense of \$513,040. At June 30, 2022, North Central Area Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between actual and expected experience | \$ 74,465 | \$ 28,309 |
| Changes of assumptions | 303,028 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,545,495 |
| Changes in proportion and differences between North Central Area Schools contributions and proportionate share of contributions | 169,160 | 126,650 |
| North Central Area Schools contributions subsequent to the measurement date | 719,776 | - |
| | \$ 1,266,429 | \$ 1,700,454 |

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (to Be Recognized in Future Pension Expenses)

| Plan Year | Amount |
|-----------|--------------|
| 2022 | \$ (153,153) |
| 2023 | \$ (262,748) |
| 2024 | \$ (339,201) |
| 2025 | \$ (398,699) |

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 actual valuation as follows:

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

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 |
| 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 Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |

Summary of Actuarial Assumptions (continued)

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the 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 in years: 4.4367 for non-university employers
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report.
- www.michigan.gov/orsschools.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

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:

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

* Long-term rate of return does not include 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 27.3%. 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 Plan, 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 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.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Sensitivity of North Central Area Schools Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents North Central Area Schools proportionate share of the net pension liability, calculated using a discount rate of 6.80% (6.80% for the Pension Plus Plan, 6.80% for the Pension Plus 2 Plan) as well as what North Central Area Schools proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

| 1% Decrease | Current Single Discount Rate Assumption | 1% Increase |
|-------------------------------------|--------------------------------------------------------|-------------------------------------|
| <u>5.80% / 5.80% / 5.00%</u> | <u>6.80% / 6.80% / 6.00%</u> | <u>7.80% / 7.80% / 7.00%</u> |
| \$6,872,972 | \$4,807,186 | \$3,094,514 |

**Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 Plans. University employers provide only the Basic and MIP Plans.*

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. Available on the ORS website at www.michigan.gov/orsschools.

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

At June 30, 2022, the District reported a payable of \$47,531 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

**NOTE G - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN**

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan 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.

Plan Description (continued)

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.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

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 October 1, 2020 and ending September 30, 2038.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

Contributions

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

| OPEB Contribution Rates | | |
|--------------------------------|---------------|-----------------|
| Benefit Structure | Member | Employer |
| Premium Subsidy | 3.00% | 8.43% |
| Personal Healthcare Fund | 0.00% | 7.57% |

Required contributions to the OPEB plan from North Central Area Schools were \$154,665 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, North Central Area Schools reported a liability of \$318,015 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. North Central Area School's proportion of the net OPEB liability was determined by dividing each employers 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, North Central Area School's proportion was .0002083464 percent which was a increase of .0001965247 percent from its proportion measured at October 1, 2020.

For the year ending June 30, 2022, North Central Area Schools recognized OPEB expense of \$182,028. At June 30, 2022, North Central Area Schools 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 |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between actual and expected experience | \$ - | \$ 907,752 |
| Changes of assumptions | 265,845 | 39,780 |
| Net difference between projected and actual earnings on pension plan investments | - | 239,694 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 90,858 | 59,445 |
| North Central Area Schools contributions subsequent to the measurement date | 9,046 | - |
| | \$ 365,749 | \$ 1,246,671 |

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

Contributions (continued)

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (to Be Recognized in Future OPEB Expenses)

| Plan Year | Amount |
|------------|--------------|
| 2022 | \$ (244,108) |
| 2023 | \$ (221,572) |
| 2024 | \$ (195,162) |
| 2025 | \$ (170,515) |
| 2026 | \$ (51,812) |
| Thereafter | \$ (6,799) |

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: | 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120 |
| Mortality: | <p>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.</p> <p>Active Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.</p> |

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)
Actuarial Assumptions (continued)

Other Assumptions: Opt Out Assumptions: 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.

Notes:

- *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 in years: [6.1312 for non-university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual 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:

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

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

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

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 27.14%. 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 North Central Area School's proportionate share of the net OPEB liability to changes in the discount rate

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

| | | |
|--------------------|------------------------------|--------------------|
| 1% Decrease | Current Discount Rate | 1% Increase |
| <u>5.95%</u> | <u>6.95%</u> | <u>7.95%</u> |
| \$590,930 | \$318,015 | \$588,734 |

Sensitivity of North Central Area School's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents North Central Area School's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what North Central Area School'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 |
| <u>\$77,402</u> | <u>\$318,015</u> | <u>\$588,734</u> |

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

North Central Area Schools reported no payables to the defined benefit OPEB plan as of June 30, 2022.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE H DEFERRED INFLOW (OUTFLOW) OF RESOURCES

The School District's deferred inflow of resources at June 30, 2022, consisted of:

| | Governmental Funds | District-wide Funds |
|---------------------------------|-----------------------|------------------------|
| Literacy | 8,686 | 8,686 |
| State at Risk Monies | 26,320 | 26,320 |
| Local Hannahville Grant | 9,142 | 9,142 |
| Boss Kids | 761 | 761 |
| Marshall Plan | 2,270 | 2,270 |
| Pension | - | 1,700,454 |
| OPEB | - | 1,246,671 |
| State Aide Funding for Pensions | - | 315,279 |
| | <u>\$ 47,179</u> | <u>\$ 3,309,583</u> |

The School District's deferred outflow of resources at June 30, 2022 consisted of:

| | Governmental Funds | District-wide Funds |
|---------|-----------------------|------------------------|
| Pension | \$ - | \$ 1,266,429 |
| OPEB | - | 365,749 |
| | <u>\$ -</u> | <u>\$ 1,632,178</u> |

NOTE I INTERFUND RECEIVABLES AND PAYABLES - FUND BASED FINANCIAL STATEMENTS

There was no Interfund receivable and/or payables at the year-end.

NOTE J INTERFUND TRANSFERS - FUND BASED FINANCIAL STATEMENTS

The Interfund transfers in and (out) during the year ended June 30, 2022, were comprised of transfers that consisted of \$40,376 from the General Fund to the QZAB Debt Service Fund to cover bond interest payments.

NOTE K RISK MANAGEMENT

The School District is exposed to various risks of losses to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District has obtained coverage from commercial insurance companies. The School District has comprehensive general liability coverage of \$25,000 per occurrence and a \$1,000,000 aggregate limit with no deductible amount.

All risk management activities are accounted for in the General Fund and Special Revenue Funds of the School District. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create but for which none have been reported are considered.

Management estimates that the amount or potential claims against the School District as of June 30, 2022 will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

North Central Area Schools
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE L OPERATING LEASES

Operating leases consist of a rental copy machine. The current year expenditure amounted to \$746. The following is the requirement for charges due with the remaining term of the contract:

| | | |
|------|----|-----|
| 2023 | \$ | 746 |
| 2024 | \$ | 528 |

NOTE M SHORT-TERM STATE AID ANTICIPATION NOTE PAYABLE

The short-term State Aid Anticipation note payable consisted of a \$500,000 State Aid Note payable to Northern Interstate Bank due August 23, 2022, bearing an interest rate of 0.47%. The State Aid note payable was \$501,894 at the end of the year including accrued interest.

| | Interest | Proceeds | Interest | Amount Due |
|-------------------------|---------------------|------------|------------|----------------------|
| State Aid Note Series 1 | 0.47% | \$ 500,000 | \$ 1,894 | \$ 501,894 |
| | Balance 7/1/2021 | Add | Disposal | Balance 6/30/2022 |
| | \$ 502,378 | \$ 501,894 | \$ 502,378 | \$ 501,894 |

NOTE N RESTRICTED NET POSITION

At June 30, 2022, the School District's restricted net position consisted of \$597,896 to be used for future pay off of bond obligations and \$134,990 for Food Service, and \$462,966 to Debt Retirement.

NOTE O CAPITAL PROJECT FUND

The 2014 Capital Project Fund includes Capital Project Activities funded with Bonds. For this Capital Project the School District complied with applicable provisions of sec. 1351(a) of the revised School Code respectively.

Beginning with the year of the bond issue, the District has reported activity in the 2014 Capital Projects Fund. The project for which the expenditures were considered was completed during June 30, 2021.

NOTE P ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use-lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District has elected early implementation of this standard. The provisions of this statement is effective for the School District's financial statements for the year ending June 30, 2023.

Required Supplemental Information

North Central Area Schools
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
 For the Year Ended
 June 30, 2022

| | Original Budget | Final Amended | Actual | Variance |
|-------------------------------------------------------------------------------------|--------------------|-------------------|-------------------|---------------------|
| REVENUE | | | | |
| Local sources | \$ 894,837 | \$ 1,055,108 | \$ 1,054,515 | \$ (593) |
| State sources | 2,412,942 | 2,775,799 | 2,827,983 | 52,184 |
| Federal sources | 528,038 | 1,438,916 | 352,942 | (1,085,974) |
| Inter-district sources | 21,000 | 54,713 | 28,000 | (26,713) |
| Total Revenue | <u>3,856,817</u> | <u>5,324,536</u> | <u>4,263,440</u> | <u>(1,061,096)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 2,521,582 | 2,941,405 | 2,617,882 | (323,523) |
| Supporting service | 1,535,986 | 1,776,347 | 1,661,583 | (114,764) |
| Capital outlay | 1,600 | 112,570 | 102,325 | (10,245) |
| Total Expenditures | <u>4,059,168</u> | <u>4,830,322</u> | <u>4,381,790</u> | <u>(448,532)</u> |
| Excess of Revenues- (Expenditures) | (202,351) | 494,214 | (118,350) | (612,564) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (57,077) | (40,429) | (31,663) | 8,766 |
| Total Other Financing Sources (Uses) | <u>(57,077)</u> | <u>(40,429)</u> | <u>(31,663)</u> | <u>8,766</u> |
| Excess of Revenues and Other Resources Over (Under) Expenditures & Other Uses | (259,428) | 453,785 | (150,013) | (603,798) |
| Fund Balance Beginning of Year | <u>474,499</u> | <u>474,499</u> | <u>474,499</u> | <u>-</u> |
| Fund Balance End of Year | <u>\$ 215,071</u> | <u>\$ 928,284</u> | <u>\$ 324,486</u> | <u>\$ (603,798)</u> |

North Central Area Schools
Schedule of North Central Area Schools Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Fiscal Years *(Amounts determined as of 6/30 of each year)*

| | 2018 | 2017 | 2016 | 2015 |
|---------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Statutory required contributions | \$ 332,049 | \$ 333,538 | \$ 436,835 | \$ 402,452 |
| Contributions in relation to statutory required contributions | 332,049 | 333,538 | 436,835 | 402,452 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| School's covered employee payroll | \$ 1,731,146 | \$ 1,712,991 | \$ 1,864,120 | \$ 2,171,699 |
| Contributions as a percentage of covered employee payroll | 19.18% | 19.47% | 23.43% | 18.53% |

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Statutory required contributions | \$ 409,497 | \$ 389,330 | \$ 384,585 | \$ 341,637 | \$ 341,637 |
| Contributions in relation to statutory required contributions | 409,497 | 389,330 | 384,585 | 341,637 | 341,637 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| School's covered employee payroll | \$ 1,982,136 | \$ 1,761,934 | \$ 1,774,533 | \$ 1,745,977 | \$ 1,745,977 |
| Contributions as a percentage of covered employee payroll | 20.66% | 22.10% | 21.67% | 19.57% | 19.57% |

Note Disclosures:

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

Changes of benefit assumptions: There were no changes of benefit assumptions in FY 2021.

North Central Area Schools
Schedule of North Central Area School's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Reporting Fiscal Years *(Amounts determined as of 9/30 of each year)*

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Proportion of net pension liability % | .02052% | .02071% | .02071% | .01924% | .02071% |
| Proportionate share of net pension liability | \$ 6,168,971 | \$ 5,367,686 | \$ 5,168,191 | \$ 4,698,379 | \$ 4,562,757 |
| Covered employee payroll | \$ 1,735,103 | \$ 1,706,784 | \$ 1,808,833 | \$ 2,129,806 | \$ 2,352,785 |
| Proportionate share of net pension liability as a percentage of its covered employee payroll % | 355.54% | 314.49% | 285.72% | 220.60% | 193.93% |
| Plan fiduciary net position as a percentage of total pension liability | 62.36% | 64.21% | 63.27% | 63.17% | 66.20% |
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Proportion of net pension liability % | | | 0.02030% | 0.01957% | 0.01983% |
| Proportionate share of net pension liability | | | \$ 4,807,186 | \$ 6,724,353 | \$ 6,567,433 |
| Covered employee payroll | | | \$ 1,878,966 | \$ 1,738,410 | \$ 1,694,977 |
| Proportionate share of net pension liability as a percentage of its covered employee payroll % | | | 255.84% | 386.81% | 387.46% |
| Plan fiduciary net position as a percentage of total pension liability | | | 52.26% | 59.72% | 60.31% |

Note Disclosures:

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

Changes of benefit assumptions: There were no changes of benefit assumptions in FY 2021.

North Central Area Schools
Schedule of North Central Area School's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Fiscal Years *(Amounts determined as of 6/30 of each year)*

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|----------------------------------------------------------------------|------------|--------------|--------------|--------------|--------------|
| Statutory required OPEB contributions | \$ 9,046 | \$ 6,504 | \$ 5,208 | \$ 5,460 | \$ 5,264 |
| OPEB contributions in relation to statutory required contributions * | 9,046 | 6,504 | 5,208 | 5,460 | 5,264 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| School's covered payroll (OPEB) | \$ 982,136 | \$ 1,738,410 | \$ 1,774,533 | \$ 1,745,977 | \$ 1,731,146 |
| OPEB contributions as a percentage of covered payroll | 0.4563% | 0.3741% | 0.2935% | 0.3128% | 0.3040% |

| | 2027 | 2026 | 2025 | 2024 | 2023 |
|----------------------------------------------------------------------|------|------|------|------|------|
| Statutory required OPEB contributions | | | | | |
| OPEB contributions in relation to statutory required contributions * | | | | | |
| Contribution deficiency (excess) | | | | | |
| School's covered payroll (OPEB) | | | | | |
| OPEB contributions as a percentage of covered payroll | | | | | |

Note Disclosures:

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

Changes of benefit assumptions: There were no changes of benefit assumptions in FY 2021.

North Central Area Schools
Schedule of North Central Area School's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Reporting Fiscal Years *(Amounts determined as of 9/30 of each year)*

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Proportion of net OPEB liability % | 0.02038% | .019655% | .01932% | .02036% | .02075% |
| Proportionate share of net OPEB liability | \$ 318,015 | \$ 1,052,835 | \$ 1,391,941 | \$ 1,618,992 | \$ 1,837,769 |
| Covered employee payroll (OPEB) * | \$ 1,878,966 | \$ 1,738,410 | \$ 1,694,977 | \$ 1,735,103 | \$ 1,706,784 |
| Proportionate share of net OPEB liability as a percentage of its covered employee payroll % | 16.93% | 60.56% | 82.12% | 93.31% | 107.67% |
| Plan fiduciary net position as a percentage of total OPEB liability | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

| | 2026 | 2025 | 2024 | 2023 | 2022 |
|---------------------------------------------------------------------------------------------|------|------|------|------|------|
| Proportion of net OPEB liability % | | | | | |
| Proportionate share of net OPEB liability | | | | | |
| Covered employee payroll (OPEB) * | | | | | |
| Proportionate share of net OPEB liability as a percentage of its covered employee payroll % | | | | | |
| Plan fiduciary net position as a percentage of total OPEB liability | | | | | |

Note Disclosures:

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

Changes of benefit assumptions: There were no changes of benefit assumptions in FY 2021.

Other Supplemental Information

North Central Area Schools
Combined Balance Sheet
Non-Major Governmental Funds
For the Year Ended
June 30, 2022

| | Hot Lunch | 2014 Capital Projects | Activity Fund | 2014 Debt Service | Total |
|---------------------------------------------|-------------------|-----------------------------|-------------------|----------------------|-------------------|
| ASSETS | | | | | |
| Cash | \$ 135,652 | \$ 40 | \$ 147,441 | \$ 69,205 | \$ 352,338 |
| Due from other Governmental units | - | - | - | - | - |
| Accounts receivable | - | - | - | - | - |
| Total Assets | \$ 135,652 | \$ 40 | \$ 147,441 | \$ 69,205 | \$ 352,338 |
| LIABILITIES AND FUND EQUITY | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other Governmental units | 662 | - | - | - | 662 |
| Total Liabilities | 662 | - | - | - | 662 |
| Fund Balance: | | | | | |
| Restricted to hot lunch | 134,990 | - | - | - | 134,990 |
| Restricted for debt service | - | - | - | 69,205 | 69,205 |
| Committed to capital outlay | - | 40 | - | - | 40 |
| Committed to activites | - | - | 147,441 | - | 147,441 |
| Unassigned | - | - | - | - | - |
| Total Fund Balance | 134,990 | 40 | 147,441 | 69,205 | 351,676 |
| Total Liabilities & Fund Balance | \$ 135,652 | \$ 40 | \$ 147,441 | \$ 69,205 | \$ 352,338 |

North Central Area Schools
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2022

| | Hot Lunch | 2014 Capital Projects | Activity Fund | 2014 Debt Service | Total |
|-------------------------------------------------------------------------------|-------------------|-----------------------------|-------------------|----------------------|-------------------|
| REVENUE | | | | | |
| Local sources | \$ 1,955 | \$ - | \$ 131,127 | \$ 184,904 | \$ 317,986 |
| State sources | 6,446 | - | - | - | 6,446 |
| Federal sources | 356,919 | - | - | - | 356,919 |
| Total Revenue | <u>365,320</u> | <u>-</u> | <u>131,127</u> | <u>184,904</u> | <u>681,351</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instructional service | - | - | - | - | - |
| Supporting service | 300,716 | 24 | - | - | 300,740 |
| Debt Service: | | | | | |
| Principal | - | - | - | 175,000 | 175,000 |
| Interest and fees | - | - | - | 40,250 | 40,250 |
| Activities | - | - | 121,057 | - | 121,057 |
| Capital outlay | - | - | - | - | - |
| Total Expenditures | <u>300,716</u> | <u>24</u> | <u>121,057</u> | <u>215,250</u> | <u>637,047</u> |
| Excess of Revenues (Expenditures) | 64,604 | (24) | 10,070 | (30,346) | 44,304 |
| OTHER FINANCE SOURCES (USES) | | | | | |
| Operating transfers in | - | - | - | - | - |
| Operating transfers out | - | - | - | - | - |
| Total Other Finances Sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess Revenues and Other Resources Over (Under) Expenditures & Other Uses | 64,604 | (24) | 10,070 | (30,346) | 44,304 |
| Fund Balance July 1 | <u>70,386</u> | <u>64</u> | <u>137,371</u> | <u>99,551</u> | <u>307,372</u> |
| Fund Balance June 30 | <u>\$ 134,990</u> | <u>\$ 40</u> | <u>\$ 147,441</u> | <u>\$ 69,205</u> | <u>\$ 351,676</u> |

North Central Area Schools
Schedule of General Fund Revenue
For the Year Ended
June 30, 2022

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|----------------------------------------------------|---------------------|---------------------|---------------------|------------------------------------------------------|
| | Original | Final | | |
| LOCAL SOURCES | | | | |
| General property tax levy | \$ - | | \$ 843,497 | |
| Drivers ed | - | | 32,750 | |
| Interest on investments | - | | 1,754 | |
| Donations | - | | 42,016 | |
| Dividend | - | | 9,118 | |
| Conference reimburse | - | | 7,700 | |
| Athletic revenues | - | | 32,261 | |
| Local grants | - | | 31,689 | |
| Childcare fees | - | | 38,252 | |
| Miscellaneous | - | | 15,478 | |
| Total Local Sources | 894,837 | 1,055,108 | 1,054,515 | (593) |
| STATE SOURCES | | | | |
| State school aid | - | | 2,184,517 | |
| At Risk | - | | 147,635 | |
| First robotics | - | | 12,037 | |
| Early literacy | - | | - | |
| MPSERS offset | - | | 388,620 | |
| Headlee | - | | 95,174 | |
| GSRP | - | | - | |
| Stabilization | - | | - | |
| Total State Sources | 2,412,941 | 2,775,799 | 2,827,983 | 52,184 |
| FEDERAL SOURCES | | | | |
| Title I | - | | 116,919 | |
| Title II | - | | 30,668 | |
| Title IV | - | | 16,717 | |
| REAP | - | | 22,658 | |
| ESSER II | - | | 164,401 | |
| Pandemic EBT | - | | 614 | |
| Administrative outreach | - | | 965 | |
| Total Federal Sources | 528,038 | 1,438,916 | 352,942 | (1,085,974) |
| INTER-DISTRICT SERVICES AND OTHER SOURCES | | | | |
| School District - various programs | | | 28,000 | |
| Sale of School Property | | | 8,713 | |
| Total Incoming Transfers and Other Transactions | 21,000 | 54,713 | 36,713 | (18,000) |
| Total Revenues | \$ 3,856,816 | \$ 5,324,536 | \$ 4,272,153 | \$ (1,052,383) |

North Central Area Schools
Schedule of General Fund Expenditures
For the Year Ended
June 30, 2022

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|-----------------------------|------------------|------------------|------------------|------------------------------------------------------|
| | Original | Final | | |
| INSTRUCTION BASIC | | | | |
| Elementary | | | | |
| Salaries | | | | |
| Teacher | \$ - | | \$ 358,004 | |
| Teacher aide | - | | 16,022 | |
| Teacher substitute | - | | 16,609 | |
| UAAL rate stabilization | - | | 59,664 | |
| Employee insurance | - | | 89,836 | |
| Employee retirement | - | | 94,314 | |
| FICA | - | | 24,557 | |
| Travel | - | | 6,148 | |
| Workers comp | - | | 290 | |
| Unemployment | - | | 125 | |
| Supplies and materials | - | | 2,277 | |
| Consumable student | - | | 105 | |
| Contracted Services | - | | 14,952 | |
| Total Elementary | 657,284 | 714,897 | 682,903 | (31,994) |
| Junior High | | | | |
| Salaries | | | | |
| Teacher | - | | 189,689 | |
| Teacher substitute | - | | 11,038 | |
| UAAL rate stabilization | - | | 33,588 | |
| Employee insurance | - | | 50,558 | |
| Employee retirement | - | | 53,083 | |
| Workers comp | - | | 90 | |
| FICA | - | | 14,191 | |
| Consumable student | - | | 2,875 | |
| Supplies and materials | - | | 7,141 | |
| Total Middle School | 344,880 | 365,783 | 362,253 | (3,530) |
| Senior High | | | | |
| Salaries | | | | |
| Teacher | - | | 274,244 | |
| Teacher substitute | - | | 17,505 | |
| Drivers ED | - | | 18,875 | |
| UAAL rate stabilization | - | | 64,478 | |
| Employee insurance | - | | 25,393 | |
| Employee retirement | - | | 76,516 | |
| FICA | - | | 22,708 | |
| Workers comp | - | | 290 | |
| Contracted services | - | | 43,790 | |
| Travel | - | | 992 | |
| Supplies and materials | - | | 4,275 | |
| STU tuition | - | | 16,621 | |
| Total High School | 540,375 | 582,385 | 565,687 | (16,698) |
| Total Basic Programs | 1,542,539 | 1,663,065 | 1,610,843 | (52,222) |

North Central Area Schools
Schedule of General Fund Expenditures (continued)
For the Year Ended
June 30, 2022

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|----------------------------------|------------------|---------|---------|------------------------------------------------------|
| | Original | Final | | |
| INSTRUCTION - ADDED NEEDS | | | | |
| Special Education | | | | |
| Salaries | | | | |
| Teacher | - | | 97,351 | |
| Teacher aide | - | | 26,985 | |
| Teacher substitute | - | | 16,833 | |
| UAAL rate stabilization | - | | 30,185 | |
| Contracted services | - | | 16,811 | |
| Employee insurance | - | | 33,140 | |
| Employee retirement | - | | 38,681 | |
| FICA | - | | 10,098 | |
| Travel and conferences | - | | 589 | |
| Supplies and materials | - | | 935 | |
| Total Special Education | 304,118 | 275,384 | 271,608 | (3,776) |
| Young 4 | | | | |
| Salaries | | | | |
| General Admin Services | - | | 37,500 | |
| Teacher | - | | 17,022 | |
| Teacher - CARES ACT | - | | 91,634 | |
| Teacher substitute | - | | 3,265 | |
| Teacher Aide | - | | 15,492 | |
| Employee insurance | - | | 62,219 | |
| Employee retirement | - | | 46,547 | |
| Miscellaneous supplies | - | | 275 | |
| Cares Act - Technology | - | | 2,147 | |
| Little Jets contracted services | - | | 9,184 | |
| FICA | - | | 11,205 | |
| Total Young 4 | 265,695 | 513,838 | 296,490 | (217,348) |
| Title II | | | | |
| Salaries | | | | |
| Sub Administrative | - | | - | |
| Stipend | - | | 3,500 | |
| Employee retirement | - | | 961 | |
| FICA | - | | 245 | |
| Travel and conferences | - | | 622 | |
| Covid-19 chromebooks | - | | - | |
| Training | - | | 3,900 | |
| Reading Series | - | | 8,753 | |
| Bridges Math Series | - | | 12,687 | |
| Total Title II | 15,000 | 36,303 | 30,668 | (5,635) |
| Title IV | | | | |
| Supplies and materials | - | | 14,029 | |
| Total Title IV | 10,000 | 17,025 | 14,029 | (2,996) |

North Central Area Schools
Schedule of General Fund Expenditures (continued)
For the Year Ended
June 30, 2022

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|----------------------------------|---------------------|---------------------|---------------------|------------------------------------------------------|
| | Original | Final | | |
| INSTRUCTION - ADDED NEEDS | | | | |
| At Risk | | | | |
| Salaries | | | | |
| Counselor | - | | 9,900 | |
| Teacher | - | | 47,379 | |
| Teacher aide | - | | 9,578 | |
| Teacher substitute aide | - | | 1,575 | |
| UAAL rate stabilization | - | | 20,383 | |
| Employee insurance | - | | 22,194 | |
| Employee retirement | - | | 20,437 | |
| FICA | - | | 5,587 | |
| Supplies and materials | - | | 9,101 | |
| Travel/Conference | - | | - | |
| Trans foods | - | | 1,500 | |
| Total At Risk | 163,000 | 175,786 | 147,634 | (28,152) |
| Title I | | | | |
| Salaries | | | | |
| Teacher | - | | 38,348 | |
| Teacher aide | - | | 19,114 | |
| Teacher substitute aide | - | | 562 | |
| Staff Stipends | - | | - | |
| Equipment | - | | 13,951 | |
| IREAD Subscription | - | | 533 | |
| Consumables | - | | 889 | |
| Supplies and materials | - | | 6,426 | |
| Employee retirement | - | | 16,053 | |
| Employee insurance | - | | 16,932 | |
| FICA | - | | 4,110 | |
| Total Title I | 102,000 | 128,654 | 116,918 | (11,736) |
| First Robotics | | | | |
| Salaries | | | | |
| Stipend for Coach | | | 1,875 | |
| Retirement | | | 562 | |
| FICA | | | 143 | |
| Registration Fees | | | 7,587 | |
| Team Materials | | | 4,519 | |
| Total First Robotics | 4,650 | 14,636 | 14,686 | 50 |
| Vocational Education | | | | |
| Salaries | | | | |
| Teacher | - | | 59,131 | |
| Director | - | | 6,121 | |
| Teacher sub | - | | 1,616 | |
| Employee insurance | - | | 21,611 | |
| Employee retirement | - | | 18,621 | |
| FICA | - | | 4,647 | |
| Supplies and materials | - | | 3,259 | |
| Total Vocational Education | 114,580 | 116,714 | 115,006 | (1,708) |
| Total Added Needs | 979,043 | 1,278,340 | 1,007,039 | (271,301) |
| Total Instruction | \$ 2,521,582 | \$ 2,941,405 | \$ 2,617,882 | \$ (323,523) |

North Central Area Schools
Schedule of General Fund Expenditures (continued)
For the Year Ended
June 30, 2022

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--------------------------------------------------|----------------------|-----------------------|----------------------|------------------------------------------------------|
| | Original | Final | | |
| SUPPORTING SERVICES - INSTRUCTIONAL STAFF | | | | |
| Grants | | | | |
| BC/BS Grant | \$ - | \$ - | \$ 1,477 | |
| HV grant | - | - | 15,718 | |
| Boss Kids Grant | - | - | 23 | |
| HSAT | - | - | 280 | |
| Marshall Plan | - | - | 42,016 | |
| Total Grants | <u>4,679</u> | <u>103,410</u> | <u>59,514</u> | <u>(43,896)</u> |
| Technology | | | | |
| Software | - | - | 22,829 | |
| Total Technology | <u>20,502</u> | <u>22,558</u> | <u>22,829</u> | <u>271</u> |
| Total Instructional Staff | <u>25,181</u> | <u>125,968</u> | <u>82,343</u> | <u>(43,625)</u> |

North Central Area Schools
Schedule of General Fund Expenditures (continued)
For the Year Ended
June 30, 2022

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|-------------------------------------------------------------|------------------|----------------|----------------|------------------------------------------------------|
| | Original | Final | | |
| SUPPORTING SERVICES - SCHOOL ADMINISTRATION SERVICES | | | | |
| Director of Student Services | | | | |
| Salaries | | | | |
| Director | - | - | 39,715 | |
| Employee insurance | - | - | 12,502 | |
| Employee retirement | - | - | 11,807 | |
| FICA | - | - | 2,752 | |
| Conference/Mileage | - | - | 100 | |
| Total Director of Student Services | - | 81,186 | 66,876 | (14,310) |
| Library | | | | |
| Salaries | | | | |
| Library Aide | - | - | 7,053 | |
| Employee retirement | - | - | 1,975 | |
| FICA | - | - | 540 | |
| Supplies/Materials | - | - | 499 | |
| Total Library | 11,948 | 10,568 | 10,067 | (501) |
| Board of Education | | | | |
| Contracted services | - | | 4,340 | |
| Dues and fees | - | | 1,401 | |
| Total Board of Education | 5,750 | 6,651 | 5,741 | (910) |
| Executive Administrative | | | | |
| Salaries | | | | |
| Superintendent | - | | 47,862 | |
| Secretarial - clerical | - | | 63,533 | |
| Office assistant | - | | 26,062 | |
| UAAL rate stabilization | - | | 22,667 | |
| Employee insurance | - | | 34,104 | |
| Employee retirement | - | | 37,518 | |
| FICA | - | | 9,419 | |
| Legal services | - | | 7,593 | |
| Audit | - | | 6,100 | |
| Insurance and bonds | - | | 100 | |
| Travel | - | | 3,967 | |
| Telephone | - | | 3,000 | |
| Dues and fees | - | | 1,270 | |
| Postage | - | | 332 | |
| Advertising | - | | 4,906 | |
| Office supplies | - | | 2,048 | |
| Miscellaneous | - | | 2,224 | |
| Total Executive Administrative | 249,447 | 278,338 | 272,705 | (5,633) |
| Total General Administration | 267,145 | 376,743 | 355,389 | (21,354) |

North Central Area Schools
Schedule of General Fund Expenditures (continued)
For the Year Ended
June 30, 2022

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|-------------------------------------------------------------|------------------|---------|---------|------------------------------------------------------|
| | Original | Final | | |
| SUPPORTING SERVICES - SCHOOL ADMINISTRATION SERVICES | | | | |
| Salaries | | | | |
| Principal | - | | 124,596 | |
| Secretarial | - | | 57,884 | |
| Substitute secretarial | - | | 2,651 | |
| UAAL rate stabilization | - | | 34,635 | |
| Dues | - | | 700 | |
| Telephone | - | | 1,346 | |
| Office supplies | - | | 1,341 | |
| Postage | - | | 1,984 | |
| Employee insurance | - | | 50,599 | |
| Travel and conferences | - | | 3,539 | |
| Employee retirement | - | | 48,572 | |
| FICA | - | | 11,874 | |
| Miscellaneous | - | | 10,401 | |
| Total School Administration Services | 362,142 | 362,910 | 350,122 | (12,788) |
| SUPPORTING SERVICES - OPERATIONS AND MAINTENANCE | | | | |
| Salaries | | | | |
| Supervisor | - | | 18,672 | |
| Custodial | - | | 73,256 | |
| Custodial substitute | - | | 1,900 | |
| UAAL rate stabilization | - | | 17,277 | |
| Heating | - | | 38,389 | |
| Electrical | - | | 50,236 | |
| Water, sewage and garbage | - | | 29,763 | |
| Insurance - building | - | | 32,830 | |
| Repairs and maintenance - building | - | | 5,451 | |
| Contracted services | - | | 122,312 | |
| Custodial supplies and materials | - | | 27,047 | |
| Employee insurance | - | | 36,893 | |
| Employee retirement | - | | 27,472 | |
| FICA | - | | 6,377 | |
| Workers comp | - | | - | |
| Total Operations and Maintenance | 427,219 | 504,072 | 487,875 | (16,197) |

North Central Area Schools
Schedule of General Fund Expenditures (continued)
For the Year Ended
June 30, 2022

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|---------------------------------------------------|-------------------------|-------------------------|-------------------------|------------------------------------------------------|
| | Original | Final | | |
| SUPPORTING SERVICES - PUPIL TRANSPORTATION | | | | |
| Salaries | | | | |
| Supervisor | - | | 19,528 | |
| Bus maintenance salary | - | | 18,331 | |
| Bus driver salary | - | | 56,763 | |
| Bus driver substitute | - | | 3,459 | |
| Special trip salary | - | | 1,005 | |
| Athletic trip salary | - | | 3,964 | |
| UAAL rate stabilization | - | | 24,540 | |
| Insurance - buses | - | | 5,232 | |
| Bus repair and maintenance | - | | 32,701 | |
| Gasoline/oil | - | | 42,478 | |
| Utilities bus garage | - | | 4,312 | |
| Workers comp | - | | 2,214 | |
| Travel and Workshops | - | | 432 | |
| Employee insurance | - | | 28,355 | |
| Contracted Services | - | | 1,096 | |
| Pager service 2-way | - | | 1,440 | |
| Employee retirement | - | | 27,668 | |
| FICA | - | | 7,214 | |
| Total Pupil Transportation | <u>299,640</u> | <u>292,805</u> | <u>280,732</u> | <u>(12,073)</u> |
| SUPPORTING SERVICES - ATHLETIC PROGRAM | | | | |
| Salaries | | | | |
| Coaching wage | - | | 38,186 | |
| Athletic director | - | | 7,000 | |
| UAAL rate stabilization | - | | 7,863 | |
| Employee retirement | - | | 12,790 | |
| FICA | - | | 3,406 | |
| Referees | - | | 13,484 | |
| Game site supplies | - | | 2,865 | |
| Clocks and books | - | | 2,115 | |
| Athletic meets/conferences | - | | 4,298 | |
| Sports advertising | - | | 670 | |
| Supplies and materials | - | | 5,867 | |
| Athletic equipment | - | | 3,000 | |
| Total Athletic Program | <u>100,730</u> | <u>104,849</u> | <u>101,544</u> | <u>(3,305)</u> |
| SUPPORTING SERVICES - OTHER SERVICES | | | | |
| Fees and penalties | - | | 1,243 | |
| Interest | - | | 2,335 | |
| Property tax write off | - | | - | |
| Total Other Services | <u>8,500</u> | <u>9,000</u> | <u>3,578</u> | <u>(5,422)</u> |
| Total Supporting Services | <u>1,490,557</u> | <u>1,776,347</u> | <u>1,661,583</u> | <u>(114,764)</u> |

North Central Area Schools
 Schedule of General Fund Expenditures (continued)
 For the Year Ended
 June 30, 2022

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--------------------------------------------|------------------|------------------|------------------|------------------------------------------------------|
| | Original | Final | | |
| Other Expense | | | | |
| Indirect Cost transfer | - | - | - | |
| Energy Fund Transfer | - | - | 40,376 | |
| Total Other Expense | 45,429 | 40,377 | 40,376 | (1) |
| Capital Outlay | | | | |
| Vehicle | - | - | 67,569 | |
| Equipment | - | - | 34,756 | |
| Total Capital Outlay | 1,600 | 112,570 | 102,325 | (10,245) |
| TOTAL GENERAL FUND EXPENDITURES | 4,059,168 | 4,870,699 | 4,422,166 | (448,533) |

Supplemental Report

JOHNSON & RENNIE, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Rodney R. Johnson, CPA
Joel T. Rennie, CPA
Carl R. Sorensen, CPA

Members
American Institute of CPA's
Michigan Association of CPA's
Wisconsin Institute of CPA's

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Governmental activities, each major fund and the aggregate remaining fund information of North Central Area Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise North Central Area Schools basic financial statements and have issued our report thereon dated October 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as item 2022-001, 2022-002 that we consider to be significant deficiencies.

Report on Compliance and other Matters

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

School's Response to Findings

North Central Area Schools response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit North Central Area School's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

This report is intended for the information and use of the Board of Education, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Johnson & Rennie, LLC
Menominee, Michigan
October 28, 2022

North Central Area Schools
Schedule of Findings and Responses
For the Year Ended June 30, 2022

#2022-001 - Ability to Prepare Financial Statements and Related Note Disclosures

Criteria: Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition: Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

Cause: The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

Effect: We consider this condition to be a significant deficiency with nominal effect as the School District's Management possesses the skill and knowledge to prepare and monitor the annual budget and does understand all of the information included in the annual financial statements.

Recommendation: The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

Response: The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

#2022-002 – Segregation of Duties

Criteria: Local units of Government including School Districts, are required to have a segregation of duties among its accounting department staff in accordance with sound accounting principles.

Condition: As in prior years it was noted that the School District has a lack of segregation of duties. One person handles almost all phases of the accounting and reporting of the School District's finances due to the small number of staff.

Cause: It has been determined not to be cost effective to hire more staff to help eliminate this lack of segregation.

Effect: The effect of this is minimal as the lack of segregation was mitigated by the Superintendent's supervision and the active oversight of the Board.

Recommendation: Although the size of the School District makes complete segregation of duties impossible, we again recommend that the accounting functions be reviewed by management on a regular basis and that the duties be periodically rotated between the staff.

Managements Response: The School District is in the process of cross training accounting staff and duties will be rotated in the absence of accounting personnel. Management will continue to closely monitor the accounting functions.

North Central Area Schools
Schedule of Prior Year Findings and Responses
For the Year Ended June 30, 2022

#2021-001 - Ability to Prepare Financial Statements and Related Note Disclosures

Criteria: Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition: Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

Cause: The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

Effect: We consider this condition to be a significant deficiency with nominal effect as the School District's Management possesses the skill and knowledge to prepare and monitor the annual budget and does understand all of the information included in the annual financial statements.

Recommendation: The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

Response: The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

#2021-002 – Segregation of Duties

Criteria: Local units of Government including School Districts, are required to have a segregation of duties among its accounting department staff in accordance with sound accounting principles.

Condition: As in prior years it was noted that the School District has a lack of segregation of duties. One person handles almost all phases of the accounting and reporting of the School District's finances due to the small number of staff.

Cause: It has been determined not to be cost effective to hire more staff to help eliminate this lack of segregation.

Effect: The effect of this is minimal as the lack of segregation was mitigated by the Superintendent's supervision and the active oversight of the Board.

Recommendation: Although the size of the School District makes complete segregation of duties impossible, we again recommend that the accounting functions be reviewed by management on a regular basis and that the duties be periodically rotated between the staff.

Managements Response: The School District is in the process of cross training accounting staff and duties will be rotated in the absence of accounting personnel. Management will continue to closely monitor the accounting functions.