COLDWATER COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2022

Net change in fund balances - total governmental funds			$ 521,888
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:			
	Capital outlays	$ 2,031,961	
	Depreciation expense	(2,096,969)	(65,008)
In the Statement of Activities, only the loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus the change in net position differs from the change in fund balance by the net book value of the assets sold/retired			(28,731)
Bond premium is amortized over life of the new bond issue on the Statement of Activities.			140,789
Losses on advanced bond refundings are amortized over the life of the new bond issue on the Statement of Activities.			(35,761)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:			
Repayment of bonds		1,930,000	
Repayment of lease liabilities		16,377	
Repayment of installment purchase agreements		58,552	2,004,929
Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid.			3,503
In the Statement of Net Position, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid ($190,003), exceeded the amounts earned ($110,191).			79,812

Continued on next page.

COLDWATER COMMUNITY 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

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	$ 1,030,979
The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	2,381,678
Total changes in net position - governmental activities	$ 6,034,078

See accompanying notes to basic financial statements.

COLDWATER COMMUNITY SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 7,735,920	$ 8,019,361	$ 8,030,595	$ 11,234
Non-educational entity sources	50,000	50,000	50,000	-
State sources	21,133,590	21,440,576	21,417,480	(23,096)
Federal sources	2,203,015	4,454,270	4,239,973	(214,297)
Interdistrict sources	335,885	271,008	280,012	9,004
Total Revenues	31,458,410	34,235,215	34,018,060	(217,155)
Expenditures				
Current:				
Instruction:				
Basic programs	16,005,071	18,643,947	18,301,532	342,415
Added needs	2,718,378	2,074,378	2,027,347	47,031
Adult education	87	87	35	52
Supporting services:				
Pupil services	1,499,942	1,765,439	1,736,716	28,723
Instructional staff services	796,626	826,779	770,806	55,973
General administrative services	492,479	581,816	569,771	12,045
School administrative services	1,773,644	1,872,059	1,857,440	14,619
Business services	553,007	607,922	589,000	18,922
Operation and maintenance services	3,060,155	2,829,606	2,890,017	(60,411)
Pupil transportation services	2,086,952	1,954,954	1,956,082	(1,128)
Central services	726,997	895,122	884,736	10,386
Other supporting services	826,422	849,288	833,526	15,762
Community services	153,897	188,196	183,799	4,397
Capital outlay	752,361	171,922	171,922	-
Debt service	-	104,670	97,946	6,724
Total Expenditures	31,446,018	33,366,185	32,870,675	495,510
Excess (Deficiency) of Revenues Over Expenditures	12,392	869,030	1,147,385	278,355
Other Financing Sources (Uses)				
Transfers in	-	18,034	18,034	-
Transfers out	-	(185,526)	(166,676)	18,850
Total Other Financing Sources (Uses)	-	(167,492)	(148,642)	18,850
Net Change in Fund Balances	12,392	701,538	998,743	297,205
Fund Balances, Beginning of Year	7,569,535	7,569,535	7,569,535	-
Fund Balances, End of Year	$ 7,581,927	$ 8,271,073	$ 8,568,278	$ 297,205

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Coldwater Community Schools (the "District") was organized under the School Code of the State of Michigan and services a population of approximately 2,767 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-wide and Fund Financial Statements

District-wide Financial Statements – The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resources basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District's net position is reported in three parts: investment in capital assets, net of related debt; restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2018 Construction Capital Projects Fund are the District's major funds. Nonmajor funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities, and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate schedules.

Revenues are recognized when susceptible to accrual, i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service, Child Care, and Student/School Activity Special Revenue Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases, and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code. For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Coldwater Community Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Coldwater Community Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Chief Financial Officer to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventories/Prepaid Items

Inventories are valued at cost (first-in, first-out), and are accounted for using the consumption method. Inventories of the General Fund consist of teaching and custodial supplies, while inventories of the Food Service Fund consist of food, and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed $5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

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

Land improvements, buildings and building improvements, vehicles, and furniture and equipment (including leased) are depreciated and the intangible right to use assets is amortized using the straight-line method over the following estimated useful lives:

Land improvements	10 - 20 years
Buildings and improvements	40 - 50 years
Furniture and equipment	3 - 10 years
Vehicles	5 - 10 years
Right to use assets	3 - 7 years

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

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

10. Compensated Absences

Compensated absences at June 30, 2022 have been computed and recorded in the district-wide financial statements of the District. Employees who leave the District are entitled to reimbursement for a portion of their unused sick and vacation days. At June 30, 2022, the accumulated liabilities, including salary related payments (expected to be financed by General Fund revenues), for compensated absences amounted to $549,503.

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

12. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establishes standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows of resources relating to the recognition of net pension liability on the financial statements, and the deferred outflows of resources relating to the recognition of net OPEB liability on the financial statements.

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 period(s) and so will *not* be recognized as in inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB liability on the financial statements.

14. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investments in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

15. Fund Balance

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end.

- Assigned – resources that are constrained by the government's *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Coldwater Community Schools' Board of Education has delegated authority to assign fund balances for a specific purpose to the Superintendent and Director of Finance. Assigned fund balance does not lapse at year end.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits, and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

- Commercial paper rated at the time of purchase within the two highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.

- Securities issued or guaranteed by agencies or instrumentalities of the United States government.

- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2022 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental Activities	$ 17,825,930

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Century Bank and Trust
2. Southern Michigan Bank and Trust
3. Huntington Bank

Cash equivalents consist of bank public funds checking accounts. Deposits consist of certificates of deposit.

June 30, 2022 balances are detailed as follows:

Cash equivalents	$ 15,821,383
Deposits	2,004,547
	$ 17,825,930

Custodial Credit Risk Related to Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's bank deposits may not be returned to the District. Protection of District bank deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was $17,825,930 and the bank balance was $18,057,266. Of the bank balance, $3,852,552 was covered by federal depository insurance and $14,204,714 was uninsured and uncollateralized.

Investments

As of June 30, 2022, the District had no surplus funds that were classified as investments. The District's policies to minimize investment risk are as follows:

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for investment custodial credit risk. At June 30, 2022, the District had no investments that were subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy does not have specific limits on investment credit risk.

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy does not have specific limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy does not have specific limits on concentration of credit risk.

Foreign Currency Risk

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

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2021 and October 2021. The 2021-22 "Foundation Allowance" for Coldwater Community Schools was $8,700 for 2,760 "Full Time Equivalent" students, generating $21,525,851 in state aid payments to the District of which $3,929,172 was paid to the District in July and August 2022 and included as "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund at June 30, 2022.

Property taxes for the District are levied July 1 (the tax lien date) by the City of Coldwater, and December 1 by the Townships of Algansee, Batavia, Bethel, Butler, California, Coldwater, Girard, Kinderhook, Ovid, Quincy, and Union, and are due 75 days after the levy date. The taxes are then collected by the City and Townships and remitted to the District. The County of Branch, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Coldwater Community Schools electors had previously approved an operating millage extension (November 2013), the 18 mill non-homestead property tax was levied in the District for 2021.

The District levied 3.6 mills in 2021 for debt service purposes and .9722 mills for the building and site (sinking) fund, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRE.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the County of Branch with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2022, the District's property tax revenues were reduced by approximately $868,770 under these agreements.

Note D – Interfund Receivables/Payables and Transfers

Operating transfers between funds during the year ended June 30, 2022 were as follows:

	Transfers In	Transfers Out
Major Fund		
General Fund:		
Special Revenue Funds:		
Food Service Special Revenue Fund	$ 18,034	$ 1,676
Child Care Special Revenue Fund	-	65,000
Debt Service Funds:		
QZAB Debt Service Fund	-	100,000
Total Major Fund	18,034	166,676
Nonmajor Funds		
Special Revenue Funds:		
Food Service Special Revenue Fund:		
General Fund	1,676	18,034
Child Care Special Revenue Fund:		
General Fund	65,000	-
Capital Projects Funds:		
Building and Site Sinking Fund:		
QZAB Debt Service Fund	-	400,000
Debt Service Funds:		
QZAB Debt Service Fund:		
General Fund	100,000	-
Bulding and Site Sinking Fund	400,000	-
2009 Debt Service Fund:		
2021 Refunding Debt Service Fund	-	1,894,161
2015 Refunding Debt Service Fund:		
2021 Refunding Debt Service Fund	-	139,143
2017 Refunding Debt Service Fund:		
2021 Refunding Debt Service Fund	-	105,486
2021 Refunding Debt Service Fund:		
Debt Service Funds	2,138,790	-
Total Nonmajor Funds	2,705,466	2,556,824
Total All Funds	$ 2,723,500	$ 2,723,500

The General Fund transferred $65,000 to the Child Care Fund, as budgeted by the Board of Education, to help cover expenditures and transferred $1,676 to the Food Service Fund to cover 31a At-Risk allocation. The Food Service Fund transferred $18,034 to the General Fund for indirect costs. The General Fund also transferred $100,000 to cover debt service requirements. The Building and Site Sinking Fund transferred $400,000 to the QZAB Debt Service Fund. The 2009, 2015 Refunding, and 2017 Refunding Debt Service Funds transferred the remaining fund balances to the 2021 Refunding Debt Service Fund, closing the funds in the fiscal year.

Note E – Capital Assets

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

	Balances July 1, 2021	Additions	Deductions	Balances June 30, 2022
Capital assets not being depreciated:				
Land	$ 856,634	$ -	$ -	$ 856,634
Construction in progress	4,866,544	1,517,359	188,567	6,195,336
Total capital assets not being depreciated and amortized	5,723,178	$ 1,517,359	$ 188,567	7,051,970
Capital assets being depreciated:				
Land improvements	6,779,578	$ 218,298	$ 79,736	6,918,140
Buildings and improvements	62,267,833	204,951	280,809	62,191,975
Furniture and equipment	3,520,524	187,218	138,119	3,569,623
Right to use assets	33,564	-	-	33,564
Vehicles	3,009,760	92,702	682,521	2,419,941
Total capital assets being depreciated and amortized	75,611,259	$ 703,169	$ 1,181,185	75,133,243
Less accumulated depreciation for:				
Land improvements	3,627,662	$ 372,509	$ 79,736	3,920,435
Buildings and improvements	20,311,830	1,411,284	252,078	21,471,036
Furniture and equipment	3,237,456	115,172	138,119	3,214,509
Vehicles	2,176,068	189,613	682,521	1,683,160
Less accumulated amortization for:				
Right to use assets	-	8,391	-	8,391
Total accumulated depreciation and amortization	29,353,016	$ 2,096,969	$ 1,152,454	30,297,531
Total capital assets being depreciated and amortized, net	46,258,243			44,835,712
Net Capital Assets	$ 51,981,421			$ 51,887,682

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	$ 1,819,829
Supporting services	212,476
Food service	64,664
	$ 2,096,969

Note F – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2022 are summarized as follows:

	Debt Payable July 1, 2021	Debt Added	Debt Retired	Debt Payable June 30, 2022
General obligation bonds:				
March 1, 2017 refunding bonds	$ 6,000,000	$ -	$ -	$ 6,000,000
February 13, 2018 School Building and Site	25,395,000	-	250,000	25,145,000
February 22, 2021 refunding bonds	1,680,000	-	1,680,000	-
Bond premium	3,519,736	-	140,789	3,378,947
Lease liabilities	49,199	-	16,377	32,822
Financed purchase agreements	89,749	-	58,552	31,197
Compensated absences	629,315	110,191	190,003	549,503
	$ 37,362,999	$ 110,191	$ 2,335,721	$ 35,137,469

Long-term obligations outstanding as of June 30, 2022 is comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
$6,000K QZAB Building & Site July 1, 2015				
Principal due in full on final maturity date	July 1, 2027	0.00	$ 6,000,000	$ -
$25,695K School Building and Site February				
Principal maturities from $250K to $1,360K	May 1, 2047	5.00	25,145,000	300,000
Bond Premium			3,378,947	140,789
Lease Liabilities				
$34,135 Copier Lease July 1, 2018				
Annual maturities of $569 to $6,827	July 1, 2023	34.0	7,396	6,827
$14,838 Copier Lease, March 1, 2021				
Annual maturities of $2,972 to $4,229	March, 1 2026	19.28	10,935	3,546
$2,582 Copier Lease, March 1, 2021				
Annual maturities of $461 to $774	March, 1 2026	29.56	1,981	597
$8,882 Copier Lease, March 1, 2021				
Annual maturities of $1,395 to $2,792	March, 1 2026	14.61	7,078	1,974
$7,262 Copier Lease, March 1, 2021				
Annual maturities of $1,397 to $2,110	March, 1 2026	22.89	5,432	1,717
Financed Purchase Agreements				
$182K bus replacement October 31, 2016	October 31, 2022	1.24	31,197	31,197
Other Obligations				
Compensated absences			549,503	80,000
			$ 35,137,469	$ 566,647

The annual requirements to pay principal and interest on long-term bonds, notes and capital leases outstanding are as follows:

Year Ended June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Financed Purchase Agreements Principal	Financed Purchase Agreements Interest
2023	$ 300,000	$ 1,257,250	$ 31,197	$ 387
2024	720,000	1,242,250	-	-
2025	745,000	1,206,250	-	-
2026	770,000	1,169,000	-	-
2027	805,000	1,130,500	-	-
2028	6,825,000	1,090,250	-	-
2029	850,000	1,049,000	-	-
2030	875,000	1,006,500	-	-
2031	905,000	962,750	-	-
2032	930,000	917,500	-	-
2033	955,000	871,000	-	-
2034	985,000	823,250	-	-
2035	1,015,000	774,000	-	-
2036	1,040,000	723,250	-	-
2037	1,070,000	671,250	-	-
2038	1,100,000	617,750	-	-
2039	1,130,000	562,750	-	-
2040	1,160,000	506,250	-	-
2041	1,190,000	448,250	-	-
2042	1,220,000	388,750	-	-
2043	1,255,000	327,750	-	-
2044	1,285,000	265,000	-	-
2045	1,315,000	200,750	-	-
2046	1,340,000	135,000	-	-
2047	1,360,000	68,000	-	-
	$ 31,145,000	$ 18,414,250	$ 31,197	$ 387

Lease Liabilities

Principal	Interest	Total
$ 14,661	$ 9,191	$ 1,612,686
10,474	4,993	1,977,717
7,687	2,115	1,961,052
-	-	1,939,000
-	-	1,935,500
-	-	7,915,250
-	-	1,899,000
-	-	1,881,500
-	-	1,867,750
-	-	1,847,500
-	-	1,826,000
-	-	1,808,250
-	-	1,789,000
-	-	1,763,250
-	-	1,741,250
-	-	1,717,750
-	-	1,692,750
-	-	1,666,250
-	-	1,638,250
-	-	1,608,750
-	-	1,582,750
-	-	1,550,000
-	-	1,515,750
-	-	1,475,000
-	-	1,428,000
$ 32,822	$ 16,299	$ 49,639,955

Lease Commitments

During the year ended June 30, 2022, the District implemented guidance in GASB No. 87, *Leases*, and recognized the value of copiers leased under long-term contracts. See additional details in Note L.

Note G – Retirement Plan

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (the "System") is a cost-sharing, multiple-employer, state-wide, defined benefit public employee retirement system 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 the 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 and 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 at www.michigan.gov/orsschools.

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

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

<u>Option 2</u> members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

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

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

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose. Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a Defined Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made, they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Pension Reform of 2017

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

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012 and is shown below:

Option 1: FAC x total years of service x 1.5%
Option 2: FAC x 30 years of service x 1.5% + FAC x years of service beyond 30 x 1.25%
Option 3: FAC x years of service as of transition date x 1.5% + FAC x years of service after transition date x 1.25%
Option 4: FAC as of transition date x years of service as of transition date x 1.5%

A MIP member who became a member of MPSERS prior to July 1, 2010 may retire at:

- age 46 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service; or
- age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Pension Plus member may retire at age 60 with 10 or more years of credited service.

A Pension Plus 2 member may retire at age 60 with 10 or more years of credited service. Section 81c(5) of PA 300 as amended requires the regular retirement age to be increased in whole year increments based on the results of mortality analysis five-year actuarial experience studies performed after October 1, 2019 and the actuarial funding status of the plan. If the regular retirement age for Pension Plus 2 members is increased in accordance with this provision, members within five years of retirement from the effective date of the increase are automatically exempted and the retirement board may additionally authorize those between five and eight years of the then current retirement age to be exempted.

A Basic Plan member may retire at:

- age 55 with 30 or more years of service; or
- age 60 with 10 or more years of service.

There is no mandatory retirement age.

Early Retirement

A MIP or Basic member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by 2% for each year retired; first year 100%, next year 102%, etc.).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by 2% for each year retired; first year 100%, next year 102%, etc.).

Pension Payment Options

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment, and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

Straight Life Pension – the Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of the retiree's death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiaries.

Survivor Options - Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent, or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount ("pop-up" provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Equated Plan – For MIP and Basic members, the Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree's pension to decrease at age 62 by approximately the same amount as that person's Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Postemployment Adjustments

A retiree who became a Member Investment Plan (MIP) member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of 3% of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

Contributions and Funded Status

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 costs are 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 the plan fiscal year 2021.

Pension Contribution Rates:

Plan Name	**Member**	**District**
Basic	0.0 – 4.0 %	19.78%
Member Investment Plan (MIP)	3.0 – 7.0%	19.78%
Pension Plus	3.0 – 6.4 %	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2022, inclusive of the MSPERS UAAL Stabilization, totaled $5,075,692.

MPSERS Plan Net Pension Liability (in thousands)

Total Pension Liability	$ 87,569,422
Plan Fiduciary Net Position	63,332,155
Net Pension Liability	$ 24,237,267
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.32%
Net Pension Liability as a Percentage of Covered Employee Payroll	261.49%
Total Covered Payroll	$9,269,004

Proportionate Share of Reporting Unit's Net Pension Liability

At June 30, 2022, the District reported a liability of $35,013,080 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.14788794%, which was a decrease from 0.14972661% at September 30, 2020.

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

For the year ended June 30, 2022, the District recognized pension expense of $3,955,626. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 542,368	$ 206,185
Changes of assumptions	2,207,099	—
Net difference between projected and actual earnings on pension plan investments	—	11,256,593
Changes in proportion and differences between District contributions and proportionate share of contributions	244,657	790,290
District contributions subsequent to the measurement date*	4,731,084	—
Total	$ 7,725,208	$ 12,253,068

* This amount, reported as deferred outflows of resources related to pensions resulting from District 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 expense as follows:

Year ended June 30	Amount
2023	$ (1,046,107)
2024	(2,193,685)
2025	(2,920,580)
2026	(3,098,572)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	6.80% net of investment expenses
Pension Plus Plan (Hybrid):	6.80% net of investment expenses
Pension Plus 2:	6.00% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living 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:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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 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: [4.4892 for non-university employers].

- Recognition period for assets in years: 5.0000.

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

Long-Term Expected Rate of Return on Investments

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:

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

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

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investments, 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, 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 the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 5.8%/5.8%/5.0%	Current Single Discount Rate Assumption 6.8%/6.8%/6.0%	1% Increase 7.8%/7.8%/7.0%
District's proportionate share of the net pension liability	$50,059,209	$35,013,080	$22,538,852

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 Michigan Public School Employees' Retirement System September 30, 2021 Annual Comprehensive Financial Report, available here: (www.michigan.gov/orsschools).

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

Payables to the pension plan totaling $670,580 at June 30, 2022 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note H – Other Postemployment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS or "System") is a cost-sharing, multiple-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

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.

Retiree Healthcare Reform of 2012

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

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

Contributions and Funded Status

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 costs are 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 OPEB contribution rates in effect for fiscal year 2021:

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.0 %	7.57%

Required contributions to the OPEB plan from the District were $1,166,424 for the year ended June 30, 2022.

Net OPEB Liability (in thousands)

Total OPEB Liability	$ 12,225,697
Plan Fiduciary Net Position	10,742,198
Net OPEB Liability	$ 1,483,499
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	87.87%
Net OPEB Liability as a Percentage of Covered Employee Payroll	16.00%
Total Covered Payroll	$ 9,269,004

Proportionate Share of Reporting Unit's Net OPEB Liability

At June 30, 2022, the District reported a liability of $2,237,780 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.14660719%, which was a decrease from 0.14937769% at September 30, 2020.

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

For the year ended June 30, 2022, the District recognized an OPEB credit of $1,214,408. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 6,387,583
Changes of assumptions	1,870,673	279,923
Net difference between projected and actual earnings on OPEB plan investments	—	1,686,655
Changes in proportion and differences between District contributions and proportionate share of contributions	235,034	388,915
District contributions subsequent to the measurement date*	1,022,361	—
Total	$ 3,128,068	$ 8,743,076

* This amount, reported as deferred outflows of resources related to OPEB resulting from District 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:

Year ended June 30	Amount
2023	$ (1,650,356)
2024	(1,563,161)
2025	(1,502,326)
2026	(1,367,326)
2027	(489,921)
Thereafter	(64,279)

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 expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	Pre-65 - 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65 – 5.25% Year 1 graded to 3.50% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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 one 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 OPEB 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: [5.6018 for non-university employers].

- Recognition period for assets in years: 5.0000.

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

Long-Term Expected Rate of Return on Investments

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:

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

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

Rate of Return

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

Discount Rate

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

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

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

	1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
District's proportionate share of the net OPEB liability	$4,158,199	$2,237,780	$608,030

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

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of the 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
District's proportionate share of the net OPEB liability	$544,658	$2,237,780	$4,142,746

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

Payables to the OPEB plan totaling $105,617 at June 30, 2022 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note I – Risk Management and Benefits

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

There were no significant reductions in insurance coverage in fiscal 2021-22, and as of year ended June 30, 2022, there were no material pending claims against the District.

Note J – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of $39,374,953 and a total net position deficit of $11,641,715, as of June 30, 2022. These deficit net positions result primarily from the net pension liability of $39,540,940 and net OPEB liability of $7,852,788 (net of deferred outflows and inflows of resources related to the pension and OPEB plans).

Note K – Commitments

On February 13, 2018, the District issued $25,395,000 of general obligation 2018 Construction bonds whose proceeds are being used for the purpose of erecting, furnishing and equipping a new upper elementary school building; remodeling, equipping and re-equipping and furnishing and re-furnishing school buildings; acquiring, installing, equipping or re-equipping school buildings for instructional technology; purchasing school buses; and acquiring, preparing, developing, improving and equipping the new upper elementary school site and playground at that site. At June 30, 2022, unspent balances committed to these construction projects totaled $3,798,112, which are expected to be fully expended by the year ended June 30, 2023.

Note L – New Accounting Pronouncement Adopted

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* was adopted by the District during the fiscal year ending June 30, 2022. This statement enhances the relevance and consistency of information about government's leasing activities by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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 net position as of July 1, 2021 was not required to be restated as a result of implementing the Statement.

REQUIRED SUPPLEMENTARY INFORMATION

COLDWATER COMMUNITY SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2022

	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020
District's proportion of the net pension liability	0.14788794%	0.14972661%	0.15171009%
District's proportionate share of the net pension liabilit	$ 35,013,080	$ 51,432,719	$ 50,241,281
District's covered-employee payroll	$ 13,296,591	$ 13,264,768	$ 13,179,446
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	263.32%	387.74%	381.21%
Plan fiduciary net position as a percentage of the total pension liability	72.60%	59.72%	60.31%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying notes to required supplementary information.

Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
0.15039690%	0.14565938%	0.14574697%	0.15597763%	0.14833920%
$ 45,212,023	$ 37,746,538	$ 36,362,676	$ 38,097,578	$ 32,673,939
$ 13,111,468	$ 12,387,692	$ 11,935,911	$ 13,057,457	$ 12,633,807
344.83%	304.71%	304.65%	291.77%	258.62%
63.96%	63.96%	63.01%	62.92%	66.15%

COLDWATER COMMUNITY SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2022

	Year Ended June 30, 2022	Year Ended June 30, 2021
District's proportion of the net OPEB liability	0.14660719%	0.14937769%
District's proportionate share of the net OPEB liability	$ 2,237,780	$ 8,002,562
District's covered-employee payroll	$ 13,296,591	$ 13,264,768
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.83%	60.33%
Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.44%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying notes to required supplementary information.

Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
0.15058587%	0.15386893%	0.14546064%
$ 10,808,674	$ 12,230,967	$ 12,881,225
$ 13,179,446	$ 13,111,468	$ 12,387,692
82.01%	93.28%	103.98%
48.46%	36.53%	36.53%

.

COLDWATER COMMUNITY SCHOOLS
Required Supplementary Information
Schedule of District Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2022

	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020
Contractually required contribution	$ 5,075,692	$ 4,348,454	$ 4,291,446
Contributions in relation to the contractually required contribution	5,075,692	4,348,454	4,291,446
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 14,135,379	$ 13,029,431	$ 13,988,376
Contributions as a percentage of covered employee payroll	35.91%	33.37%	30.68%

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying notes to required supplementary information.

Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
$ 3,845,342	$ 3,873,489	$ 3,826,620	$ 3,775,411	$ 4,132,345
3,845,342	3,873,489	3,826,620	3,775,411	4,132,345
$ -	$ -	$ -	$ -	$ -
$ 13,338,108	$ 12,685,872	$ 12,333,935	$ 11,923,838	$ 13,239,917
28.83%	30.53%	31.03%	31.66%	31.21%

COLDWATER COMMUNITY SCHOOLS
Required Supplementary Information
Schedule of District OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2022

	Year Ended June 30, 2022	Year Ended June 30, 2021
Contractually required contribution	$ 1,166,424	$ 1,058,653
Contributions in relation to the contractually required contribution	1,166,424	1,058,653
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 14,135,379	$13,029,431
Contributions as a percentage of covered employee payroll	8.25%	8.13%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying notes to required supplementary information.

Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
$ 1,115,468	$ 1,022,928	$ 973,605
1,115,468	1,022,928	973,605
$ -	$ -	$ -
$13,988,376	$13,338,108	$12,685,872
7.97%	7.67%	7.67%

Note A: Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2021-22.

Changes of assumptions: There were no changes of benefit assumptions in 2021-22.

Note B: Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2021-22.

Changes of assumptions: There were no changes of benefit assumptions in 2021-22.

SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

NONMAJOR GOVERNMENTAL FUNDS

COLDWATER COMMUNITY SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2022

	Special Revenue		
	Food Service	Child Care	Student/School Activity
Assets			
Cash	$ 318	$ -	$ -
Cash equivalents, deposits and investments	784,899	36,208	314,598
Accounts receivable	813	1,940	-
Due from other governmental units	22,160	-	-
Inventory	77,631	-	-
Prepaid expenditures	110,000	-	-
Total Assets	$ 995,821	$ 38,148	$ 314,598
Liabilities and Fund Balances			
Liabilities			
Payroll liabilities payable	$ -	$ 4,606	$ -
Salaries payable	-	11,917	-
Unearned revenue	77,063	903	-
Total Liabilities	77,063	17,426	-
Fund Balances			
Nonspendable	187,631	-	-
Restricted	731,127	20,722	314,598
Total Fund Balances	918,758	20,722	314,598
Total Liabilities and Fund Balances	$ 995,821	$ 38,148	$ 314,598

Debt Service					
2009	2015 Refunding	2017 Refunding	2018	QZAB	2021 Refunding
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	446,257	2,850,000	454,097
-	-	-	1,137	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ 447,394	$ 2,850,000	$ 454,097
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	447,394	2,850,000	454,097
-	-	-	447,394	2,850,000	454,097
$ -	$ -	$ -	$ 447,394	$ 2,850,000	$ 454,097

COLDWATER COMMUNITY SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds (Continued)
June 30, 2022

	Capital Projects		
	Building and Site Sinking	2021 Building and Site Sinking	Total
Assets			
Cash	$ -	$ -	$ 318
Cash equivalents, deposits and investments	886,825	952,166	6,725,050
Accounts receivable	-	650	4,540
Due from other governmental units	-	-	22,160
Inventory	-	-	77,631
Prepaid expenditures	-	-	110,000
Total Assets	$ 886,825	$ 952,816	$ 6,939,699
Liabilities and Fund Balances			
Liabilities			
Payroll liabilities payable	$ -	$ -	$ 4,606
Salaries payable	-	-	11,917
Unearned revenue	-	-	77,966
Total Liabilities	-	-	94,489
Fund Balances			
Nonspendable	-	-	187,631
Restricted	886,825	952,816	6,657,579
Total Fund Balances	886,825	952,816	6,845,210
Total Liabilities and Fund Balances	$ 886,825	$ 952,816	$ 6,939,699

This Page Intentionally Left Blank

COLDWATER COMMUNITY SCHOOLS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2022

	Special Revenue		
	Food Service	Child Care	Student/School Activity
Revenues			
Local sources:			
Property taxes	$ -	$ -	$ -
Interest earnings	606	-	-
Food sales	149,825	-	-
Other local sources	939	250,596	285,497
Total local sources	151,370	250,596	285,497
State sources	105,380	-	-
Federal sources	2,053,675	141,319	-
Total Revenues	2,310,425	391,915	285,497
Expenditures			
Current:			
Instruction:			
Basic programs	-	83,846	-
Supporting services	-	-	307,020
Community services	-	351,009	
Food service	2,358,121	-	-
Capital outlay	-	-	-
Debt service:			
Principal repayment	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	2,358,121	434,855	307,020
Excess (Deficiency) of Revenues Over Expenditures	(47,696)	(42,940)	(21,523)
Other Financing Sources (Uses)			
Transfers in	1,676	65,000	-
Transfers out	(18,034)	-	-
Total Other Financing Sources (Uses)	(16,358)	65,000	-
Net Change in Fund Balances	(64,054)	22,060	(21,523)
Fund Balances (Deficit), Beginning of Year	982,812	(1,338)	336,121
Fund Balances, End of Year	$ 918,758	$ 20,722	$ 314,598

Debt Service					
2009	2015 Refunding	2017 Refunding	2018	QZAB	2021 Refunding
$ 1,795,834	$ 5	$ 3	$ 1,606,111	$ -	$ -
1,414	5	4	713	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,797,248	10	7	1,606,824	-	-
52,625	-	-	47,081	-	-
-	-	-	-	-	-
1,849,873	10	7	1,653,905	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	250,000	-	1,680,000
409	61	32	1,270,722	-	4,693
409	61	32	1,520,722	-	1,684,693
1,849,464	(51)	(25)	133,183	-	(1,684,693)
-	-	-	-	500,000	2,138,790
(1,894,161)	(139,143)	(105,486)	-	-	-
(1,894,161)	(139,143)	(105,486)	-	500,000	2,138,790
(44,697)	(139,194)	(105,511)	133,183	500,000	454,097
44,697	139,194	105,511	314,211	2,350,000	-
$ -	$ -	$ -	$ 447,394	$ 2,850,000	$ 454,097

COLDWATER COMMUNITY SCHOOLS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds (Continued)
For the year ended June 30, 2022

	Capital Projects		
	Building and Site Sinking	2021 Building and Site Sinking	Total
Revenues			
Local sources:			
Property taxes	$ 1,230	$ 916,985	$ 4,320,168
Interest earnings	2,562	775	6,079
Food sales	-	-	149,825
Other local sources	-	-	537,032
Total local sources	3,792	917,760	5,013,104
State sources	-	35,314	240,400
Federal sources	-	-	2,194,994
Total Revenues	3,792	953,074	7,448,498
Expenditures			
Current:			
Instruction:			
Basic programs	-	-	83,846
Supporting services	82	258	307,360
Community services	-	-	351,009
Food service	-	-	2,358,121
Capital outlay	253,298	-	253,298
Debt service:			
Principal repayment	-	-	1,930,000
Interest and fiscal charges	-	-	1,275,917
Total Expenditures	253,380	258	6,559,551
Excess (Deficiency) of Revenues Over Expenditures	(249,588)	952,816	888,947
Other Financing Sources (Uses)			
Transfers in	-	-	2,705,466
Transfers out	(400,000)	-	(2,556,824)
Total Other Financing Sources (Uses)	(400,000)	-	148,642
Net Change in Fund Balances	(649,588)	952,816	1,037,589
Fund Balances (Deficit), Beginning of Year	1,536,413	-	5,807,621
Fund Balances, End of Year	$ 886,825	$ 952,816	$ 6,845,210

COLDWATER COMMUNITY SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2022

	Budget	Actual	Variance
Revenues			
Local sources	$ 151,142	$ 151,370	$ 228
State sources	104,866	105,380	514
Federal sources	2,024,564	2,053,675	29,111
Total Revenues	2,280,572	2,310,425	29,853
Expenditures			
Current:			
Food service	2,352,455	2,358,121	(5,666)
Excess (Deficiency) of Revenues Over Expenditures	(71,883)	(47,696)	24,187
Other Financing Sources (Uses)			
Transfers in	-	1,676	1,676
Transfers out	(18,035)	(18,034)	1
Total Other Financing Sources (Uses)	(18,035)	(16,358)	1,677
Net Change in Fund Balances	(89,918)	(64,054)	25,864
Fund Balances, Beginning of Year	982,812	982,812	-
Fund Balances, End of Year	$ 892,894	$ 918,758	$ 25,864

COLDWATER COMMUNITY SCHOOLS
Child Care Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2022

	Budget	Actual	Variance
Revenues			
Local sources	$ 237,318	$ 250,596	$ 13,278
Federal sources	140,530	141,319	789
Total Revenues	377,848	391,915	14,067
Expenditures			
Current:			
Instruction	83,814	83,846	(32)
Community services	350,941	351,009	(68)
Total Expenditures	434,755	434,855	(100)
Deficiency of Revenues Over Expenditures	(56,907)	(42,940)	13,967
Other Financing Sources			
Transfers in	65,000	65,000	-
Net Change in Fund Balance	8,093	22,060	13,967
Fund Balance (Deficit), Beginning of Year	(1,338)	(1,338)	-
Fund Balance, End of Year	$ 6,755	$ 20,722	$ 13,967

Coldwater Community Schools
Student/School Activity Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2022

	Budget	Actual	Variance
Revenues			
Local sources	$ 274,674	$ 285,497	$ 10,823
Expenditures			
Current:			
Supporting services	301,796	307,020	(5,224)
Net Change in Fund Balance	(27,122)	(21,523)	5,599
Fund Balance, Beginning of Year	336,121	336,121	-
Fund Balance, End of Year	$ 308,999	$ 314,598	$ 5,599

OTHER INFORMATION

COLDWATER COMMUNITY SCHOOLS
Schedule of Principal and Interest Payments
June 30, 2022

$6,000,000 G/O QZAB Bonds
Dated July 1, 2015

Tax Year	Year Ended June 30	Interest Due November 1	Interest Due May 1	Interest Rate	May 1 Principal	Total Principal & Interest
2022	2023	$ -	$ -	0.00%	$ -	$ -
2023	2024	-	-	-	-	-
2024	2025	-	-	-	-	-
2025	2026	-	-	-	-	-
2026	2027	-	-	-	-	-
2027	2028	-	-	-	6,000,000	6,000,000
		$ -	$ -		$ 6,000,000	$ 6,000,000

Financed Purchase Agreements
Dated July - October, 2015-2016

Tax Year	Year Ended June 30	Interest Due	Interest Rate	Principal Due	Total Principal & Interest
2022	2023	$ 387	1.25%	$ 31,197	$ 31,584

COLDWATER COMMUNITY SCHOOLS
Schedule of Principal and Interest Payments
June 30, 2022

$25,695,000 School Building and Site Bonds
Dated February 13, 2018

Tax Year	Year Ended June 30	Interest Due November 1	Interest Due May 1	Interest Rate	May 1 Principal	Total Principal & Interest
2022	2023	$ 628,625	$ 628,625	5.00%	$ 300,000	$ 1,557,250
2023	2024	621,125	621,125	5.00%	720,000	1,962,250
2024	2025	603,125	603,125	5.00%	745,000	1,951,250
2025	2026	584,500	584,500	5.00%	770,000	1,939,000
2026	2027	565,250	565,250	5.00%	805,000	1,935,500
2027	2028	545,125	545,125	5.00%	825,000	1,915,250
2028	2029	524,500	524,500	5.00%	850,000	1,899,000
2029	2030	503,250	503,250	5.00%	875,000	1,881,500
2030	2031	481,375	481,375	5.00%	905,000	1,867,750
2031	2032	458,750	458,750	5.00%	930,000	1,847,500
2032	2033	435,500	435,500	5.00%	955,000	1,826,000
2033	2034	411,625	411,625	5.00%	985,000	1,808,250
2034	2035	387,000	387,000	5.00%	1,015,000	1,789,000
2035	2036	361,625	361,625	5.00%	1,040,000	1,763,250
2036	2037	335,625	335,625	5.00%	1,070,000	1,741,250
2037	2038	308,875	308,875	5.00%	1,100,000	1,717,750
2038	2039	281,375	281,375	5.00%	1,130,000	1,692,750
2039	2040	253,125	253,125	5.00%	1,160,000	1,666,250
2040	2041	224,125	224,125	5.00%	1,190,000	1,638,250
2041	2042	194,375	194,375	5.00%	1,220,000	1,608,750
2042	2043	163,875	163,875	5.00%	1,255,000	1,582,750
2043	2044	132,500	132,500	5.00%	1,285,000	1,550,000
2044	2045	100,375	100,375	5.00%	1,315,000	1,515,750
2045	2046	67,500	67,500	5.00%	1,340,000	1,475,000
2046	2047	34,000	34,000	5.00%	1,360,000	1,428,000
		$ 9,207,125	$ 9,207,125		$ 25,145,000	$ 43,559,250