

**HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6**

**Financial Statements
With Supplemental Information**
June 30, 2022

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
June 30, 2022

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Independent Auditor's Report



THOMPSON SEILER & KOLB, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Haynor School District
Easton Township #6

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Haynor School District, Easton Township #6 as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Haynor School District, Easton Township #6 as of June 30, 2022 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Haynor School District, Easton Township #6 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying additional supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Thompson Seiler & Kolb, PLLC

Thompson Seiler & Kolb, PLLC.
Perrinton, Michigan

October 19, 2022

Management's Discussion and Analysis

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Management's Discussion and Analysis
June 30, 2022

This section of the Haynor School's annual financial report represents our discussion and analysis of the School District's financial performance and is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position and its ability to address the next and subsequent year challenges. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2022.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Haynor School District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund; the General Fund. The General Fund is the only operating fund of the School District. The remaining statement, the Statement of Fiduciary Net Position presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is organized as follows:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "Is the School District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Management's Discussion and Analysis
June 30, 2022

These two statements report the School District's net position - the difference between assets and liabilities, as reported in the Statement of Net Position - as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school to assess the overall health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, and supporting services. Property taxes and unrestricted State Aid (foundation allowance revenue finance most of these activities).

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most *significant funds* - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District currently only maintains a General Fund to meet all requirements. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or *fiduciary* for its student activity funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Management's Discussion and Analysis
June 30, 2022

The School District as a Whole

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2022 and 2021:

Table 1:

	Net Position Summary	
	Governmental Activities	
	2022	2021
Current and other assets	\$ 240,073	\$ 199,738
Capital assets	25,796	27,542
Total assets	265,869	227,280
Deferred Outflow of Resources	64,922	102,511
Current and other liabilities	38,072	28,931
Long-term liabilities	231,233	437,294
Total liabilities	269,305	466,225
Deferred inflow of resources	241,225	134,688
Net position		
Net investment in capital assets	25,796	27,542
Designated for capital outlay	0	0
Unrestricted	(205,534)	(298,664)
Total net position	\$ (179,738)	\$ (271,122)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$(179,738) at June 30, 2022. Invested in capital assets, net of related debt totaling \$25,796 compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining amount of net position, \$(205,534) was unrestricted.

The \$(205,534) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Management's Discussion and Analysis
June 30, 2022

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net position for fiscal years 2022 and 2021.

Table 2:

	Statement of Activities Summary	
	Governmental Activities	
	2022	2021
Revenues		
General Revenues		
Property taxes	\$ 64,162	\$ 55,305
State foundation allowance	139,689	142,404
Operating grants	49,273	72,548
Other general revenues	35	1,240
Total revenues	253,159	271,497
Functions/Program Expenses		
Instruction	104,701	156,931
Support services	55,328	47,829
Depreciation (unallocated)	1,746	2,054
Total expenses	161,775	206,814
Increase (decrease) in net position	\$ 91,384	\$ 64,683

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$161,775. We paid for the "public benefit" portion of our governmental activities with \$64,162 in taxes, \$139,689 in state aid, \$49,273 in restricted operating grants and with our other revenues, like interest and general entitlements.

The School District experienced an increase in net position of \$91,384. The increase in net position differs from the change in fund balance and a reconciliation is presented in the financial statements.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

**HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6**
Management's Discussion and Analysis
June 30, 2022

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the School District is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the School District's overall financial health.

As the School District completed this year; our governmental funds reported a combined fund balance of \$202,001, which is an increase of \$31,194 from last year. The planned usage of the fund balance will enable the District to maintain the same level of educational programming as in the previous year. The Board is currently reviewing revenue and expenditure trends for future operations of the district.

Our general fund is our principal operating fund. The fund balance in the general fund increased \$31,194 to \$202,001. The increase is due to increased operating grants and controlling expenditures during the year.

General Fund Budgetary Highlights

The Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming year prior to July 1.

Over the course of the year, the District's practice is to revise the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure expenditures do not exceed appropriations.

There were several budget revisions during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2022, the School District had \$25,796 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a decrease of \$1,746, or 6.3%, from last year.

Capital Assets at Year-end

	June 30	
	2022	2021
Land	\$ 10,000	\$ 10,000
Buildings	10,301	10,945
Site improvements	3,811	4,072
Furniture and equipment	1,684	2,525
Total capital assets	\$ 25,796	\$ 27,542

There were no additions for this year.

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Management's Discussion and Analysis
June 30, 2022

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2022-2023 fiscal year budget and tax rates. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2022-2023 budget was adopted in June 2022, based on an estimate of students that will be enrolled in September 2022. Approximately 60% of total general fund revenue is from the Foundation Allowance.

Contacting the School District's Financial Management

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

John Dinehart
Board of Education Secretary
Haynor School
1787 Stambro Road
Ionia, MI 48846
(616) 527-4532

Government – Wide Financial Statement

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Investments	\$ 204,972
Due from other governments	35,101
	240,073
Total Current Assets	240,073
Noncurrent Assets	
Capital assets	126,108
Less: accumulated depreciation	(100,312)
	25,796
Total noncurrent assets	25,796
Total Assets	265,869
Deferred Outflow of Resources	
Deferred pension outflows	47,004
Deferred OPEB outflows	17,919
	64,923
Total Deferred Outflows of Resources	64,923
Liabilities	
Current Liabilities	
Salaries and withholdings payable	17,309
Due to other governments	11,365
Unearned revenue	9,398
	38,072
Total Current Liabilities	38,072
Noncurrent Liabilities	
Net pension liability	218,342
Net OPEB liability	12,891
	231,233
Total Noncurrent Liabilities	231,233
Total Liabilities	269,305
Deferred Inflow of Resources	
Deferred pension inflows	149,232
Deferred inflows - State aid funding for pensions	12,790
Deferred OPEB inflows	79,203
	241,225
Total deferred inflows of resources	241,225
Net Position	
Net investment in capital assets	25,796
Unrestricted	(205,534)
	(179,738)
Total Net Position	\$ (179,738)

See accompanying notes to financial statements.

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6
Statement of Activities
Year Ended June 30, 2022

	Program Revenues		Governmental Activities
Expenses	Charges for Service	Operating Grants	Net (Expenses) Revenues and Changes in Net Assets
Governmental activities:			
Instruction	\$ 104,701	\$ 0	\$ 40,722
Support Services	55,328	0	8,551
Depreciation (unallocated)	1,746	0	0
Total governmental activities	\$ 161,775	\$ 0	\$ 49,273
General revenues:			
Taxes			
Property taxes, levied for general purpose			64,162
State aid not restricted to specific purposes			139,689
Other			35
Total general revenues			203,886
Changes in Net Position			91,384
Net Position- Beginning of year			(271,122)
Net Position-End of year			\$ (179,738)

See accompanying notes to financial statements.

Fund Financial Statements

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6
 Governmental Funds
 Balance Sheet
 June 30, 2022

	<u>Total Governmental Funds</u>
Assets	
Cash	\$ 204,972
Due from other governments	<u>35,101</u>
Total assets	<u><u>\$ 240,073</u></u>
Liabilities and Fund Equity	
Liabilities	
Salaries and withholdings payable	\$ 17,309
Due to other governments	11,365
Unearned revenue	<u>9,398</u>
Total Liabilities	38,072
Fund Equity	
Fund balances	
Unassigned	<u>202,001</u>
Total fund equity	<u>202,001</u>
Total liabilities and fund equity	<u><u>\$ 240,073</u></u>

See accompanying notes to financial statements.

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Position
June 30, 2022

Total fund Balances- Governmental Funds **\$ 202,001**

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

Capital assets used in government activities
are not financial resources, and are not reported in the funds

Capital assets cost:	126,108	
Accumulated depreciation:	(100,312)	
Net Capital Assets		25,796

Deferred outflows of pension expenditures	29,859
Deferred outflows-related to pensions	17,145
Deferred outflows of OPEB expenditures	7,093
Deferred outflows-related to OPEB	10,826

Long Term Liabilities not recorded in the funds

Net Pension Liability	(218,342)
Net OPEB Liability	(12,891)

Deferred inflows-related to pensions	(149,232)
Deferred inflows-related to state pension funding	(12,790)
Deferred inflows-related to OPEB	(79,203)

Net Position of Governmental Activities **\$ (179,738)**

See accompanying notes to financial statements.

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

	General
Revenues	
Local sources	\$ 64,197
State sources	164,836
Federal sources	23,216
Total revenues	252,249
Expenditures	
Instruction	
Basic Programs	145,546
Added Needs	20,181
Support services	
Pupil	12,941
Instructional staff	1,126
General Administration	12,377
Business services	8,378
Operations and Maintenance	17,158
Transportation	1,530
Other Support Services	1,818
Total expenditures	221,055
Excess (deficiency) of revenues over expenditures	31,194
Fund balances at beginning of year	170,807
Fund balances at end of year	\$ 202,001

See accompanying notes to financial statements.

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2022

Net Change in fund Balances- Total Governmental funds	\$ 31,194
Amount reported for governmental activities in the statement of activities are different because:	
Depreciation Expense	(1,746)
Net Pension Expense Adjustment	36,924
Net OPEB Expense Adjustment	24,102
Restricted revenue that is deferred to offset deferred outflows related to Sec 147c pension and OPEB contributions subsequent to the measurement period	
State aid funding for pensions and OPEB	<u>910</u>
Net Change in net position- Governmental Activities	<u><u>\$ 91,384</u></u>

See accompanying notes to financial statements.

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	<u>Total Custodial Funds</u>
Assets	
Cash	<u>\$ 564</u>
Total assets	564
Liabilities	
Accounts payable	<u>0</u>
Total liabilities	<u>0</u>
Net Position	
Restricted for student organizations	<u><u>\$ 564</u></u>

See accompanying notes to financial statements.

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6
Statement of Changes in Net Position
Fiduciary Funds
June 30, 2022

	Total Custodial Funds
Additions	
Student activity income	\$ 3,417
Total additions	3,417
Deductions	
Payments made on behalf of student organizations	3,951
Total deductions	3,951
Change in net position	(534)
Net Position	
Beginning of year	1,098
End of year	\$ 564

See accompanying notes to financial statements.

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Haynor School conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

Governmental-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

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

Other Nonmajor Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in government-wide statements. The *custodial fund* consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In additions, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes assessed as of December 31 and the related property taxes are levied and become a lien on December 1. These taxes are billed on December 1st and are due February 15th. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

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 revenue in accordance with state law and accounting principles generally accepted in the United States of America.

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

Capital Assets – Capital assets, which include land, buildings, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, site improvements, and equipments are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Furniture and other equipment	5-20 years

Deferred Outflows - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has items that qualifies for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

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

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

Committed – amounts constrained on use imposed by the District's highest level of decision-making, its board of education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Assigned – amounts intended to be used for specific purposes, but do not rise to the level of committed. Assigned funds are normally temporary and do not require formal action to modify or unassign as required by committed funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature. If the school district budgets the use of fund balance in the subsequent year, this amount is shown as assigned.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: 1) committed, 2) assigned, 3) unassigned.

Comparative Data/Reclassifications – Comparative data is not included in the District's financial statements.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no significant amendments during the year.

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 2 – Stewardship, Compliance and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Function - General Fund</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Variance</u>
Instruction			
Basic Programs	\$ 144,540	\$ 145,546	\$ (1,006)
Added needs	\$ 19,722	\$ 20,181	\$ (459)
General administration	\$ 11,832	\$ 12,377	\$ (545)

Note 3 – Deposits and Investments

At year-end, the school district had no investments. All liquid assets were located in deposit accounts.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2022, \$0 of the School District's bank balance of \$205,780 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

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

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

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 3 – Deposits and Investments (Continued)

Fair value measurement - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At year-end, the school district had no investments subject to the fair value measurement. All liquid assets were located in deposit accounts.

Reconciliation of cash and investments:

Carrying value of deposits and investments:

Deposits (including \$564 in Custodial fund)	\$ 205,536
Total	\$ <u>205,536</u>

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

Cash and cash equivalents-District Wide	\$ 204,972
Cash and cash equivalents-Custodial fund	<u>564</u>
Total	\$ <u>205,536</u>

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 4 – Receivables

Receivables as of year-end for the school district's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Non-major and Other Funds	Total
Receivables:			
Intergovernmental	\$ 35,101	\$ 0	\$ 35,101
Net Receivables	<u>\$ 35,101</u>	<u>\$ 0</u>	<u>\$ 35,101</u>

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the District had \$8,343 of unearned revenue.

Note 5 – Capital Assets

Capital Asset activity of the school district's Governmental activities was as follows:

	Balance July 01, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Assets not being depreciated:				
Land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Capital assets being depreciated:				
Buildings	32,193	0	0	32,193
Site improvements	41,602	0	0	41,602
Furniture and equipment	42,313	0	0	42,313
Subtotal	116,108	0	0	116,108
Accumulated depreciaton:				
Buildings	21,248	644	0	21,892
Site improvements	37,530	261	0	37,791
Furniture and equipment	39,788	841	0	40,629
Subtotal	98,566	1,746	0	100,312
Net capital assets being depreciated	17,542	(1,746)	0	15,796
Net capital assets	<u>\$ 27,542</u>	<u>\$ (1,746)</u>	<u>\$ 0</u>	<u>\$ 25,796</u>

Depreciation expense of \$1,746 was not charged to activities as the district considers its assets to impact multiple activities and allocation is not practical.

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 6 – Risk Management

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

Note 7 – Defined Benefit Pension Plan and Post-Retirement Benefits

Plan Description

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

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

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

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 7 – Defined Benefit Pension Plan and Post-Retirement Benefits (Continued)

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transient 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 their after would include a 1.25% pension factor.

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

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 7 – Defined Benefit Pension Plan and Post-Retirement Benefits (Continued)

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

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

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

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid 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 liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

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

**HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6**
Notes to Financial Statements
June 30, 2022

Note 7 – Defined Benefit Pension Plan and Post-Retirement Benefits (Continued)

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

**HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6**
Notes to Financial Statements
June 30, 2022

Note 7 – Defined Benefit Pension Plan and Post-Retirement Benefits (Continued)

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

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

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

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

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Pension contributions were approximately \$31,276, with \$30,404 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. OPEB contributions were approximately \$7,747, with \$7,366 specifically for the Defined Benefit Plan.

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

**HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6**
Notes to Financial Statements
June 30, 2022

Note 7 – Defined Benefit Pension Plan and Post-Retirement Benefits (Continued)

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

Pension Liabilities

At June 30, 2022, the District reported a liability of \$218,342 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 date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the District's proportion was 0.00092 and 0.00111 percent.

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 \$(5,432)

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

	Deferred outflows of resources	Deferred inflows of resources
	<hr/>	<hr/>
Difference between actual and expected experience	\$ 3,382	\$ 1,286
Changes of assumptions	13,763	70,196
Net difference between projected and actual earning on pension plan investments	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	77,750
Employer contributions and Sec 147c receipts subsequent to the measurement date	29,859	12,790
	<hr/>	<hr/>
Totals	\$ 47,004	\$ 162,022
	<hr/>	<hr/>

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 7 – Defined Benefit Pension Plan and Post-Retirement Benefits (Continued)

The \$29,859 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Deferred inflows from Sec. 147c receipts subsequent to the measurement date in the amount of \$12,790 are UAAL Rate Stabilization payments received after the measurement date. This amount will be recognized in the net pension liability in the subsequent year ended. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amount
2022	\$ (36,203)
2023	\$ (37,221)
2024	\$ (34,189)
2025	\$ (24,474)

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

OPEB Liabilities

At June 30, 2022, the District reported a liability of \$12,891 for its proportionate share of the 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 date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the District's proportion was 0.00084 percent and 0.00105 percent.

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 OPEB expense of \$(16,317).

At June 30, 2022, the Reporting Unit 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 actual and expected experience	\$ 0	\$ 36,796
Changes of assumptions	10,776	1,613
Net difference between projected and actual earning on OPEB plan investments	0	9,716
Changes in proportion and differences between employer contributions and proportionate share of contributions	50	31,078
Employer contributions subsequent to the measurement date	7,093	0
Totals	\$ 17,919	\$ 79,203

**HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6**
Notes to Financial Statements
June 30, 2022

Note 7 – Defined Benefit Pension Plan and Post-Retirement Benefits (Continued)

The \$7,093 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ending September 30	Amount
2022	\$ (18,830)
2023	\$ (17,068)
2024	\$ (14,314)
2025	\$ (12,288)
2026	\$ (5,196)
Thereafter	\$ (618)

Actuarial Assumptions

Investment rate of return for Pension – 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.0% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

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

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

Inflation – 3.0%

Mortality assumptions –

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for morality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for morality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation.

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 7 – Defined Benefit Pension Plan and Post-Retirement Benefits (Continued)

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation

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

Healthcare cost trend rate for other postemployment benefit – divided into two tiers

Pre 65 is 7.75% Year 1 graded to 3.50% year 15 and 3.0% year 120

Post 65 is 5.25% Year 1 graded to 3.50% year 15 and 3.0% year 120

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

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

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

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

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

Asset Investment Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
International Equity Pools	15.0%	7.5%
Private Equity Pools	16.0%	9.1%
Real Estate and Infrastructure Pools	10.0%	5.4%
Fixed Income Pools	10.5%	-0.7%
Absolute Return Pools	9.0%	2.6%
Real Return/Oppportunistic 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.

**HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6**
Notes to Financial Statements
June 30, 2022

Note 7 – Defined Benefit Pension Plan and Post-Retirement Benefits (Continued)

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

Pension Discount rate - The discount rate used to measure the total pension liability was 6.8% (6.0% for Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 6.80% (6.0% for Pension Plus 2 Plan). The projection of cash flows used to determine the discount rate assumed that plan members contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (MIP, Basic, and Pension Plus) and 6.0% for 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 higher:

	1% Decrease (Non-Hybrid/Hybrid)* 5.80% / 5.80% / 5.00%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 6.80% / 6.80% / 6.00%	1% Increase (Non-Hybrid/Hybrid)* 7.80% / 7.80% / 7.00%
District's proportionate share of the net pension liability	\$ 312,169	\$ 218,342	\$ 140,552

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 7 – Defined Benefit Pension Plan and Post-Retirement Benefits (Continued)

Sensitivity 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%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

District's proportionate share of the OPEB liability	1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
	\$ 23,954	\$ 12,891	\$ 3,503

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

District's proportionate share of the OPEB liability	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	\$ 3,138	\$ 12,891	\$ 23,865

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued [Michigan Public School Employees Retirement System 2021 Comprehensive Annual Financial Report](#).

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

Note 8 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any to be minimal.

The district has some contested transportation billings which have not been recorded in these financial statements.

HAYNOR SCHOOL
EASTON TOWNSHIP SCHOOL DISTRICT #6
Notes to Financial Statements
June 30, 2022

Note 9 – Single Audit

The School District expended less than \$750,000 in federal funds for the year ended June 30, 2022. Based on the revisions of the Single Audit Act, the district is not required to have a Single Audit.

Note 10 – Tax Abatements

For the fiscal year ended June 30, 2022, the School District had no tax abatements.

Note 11 – Change in Accounting Principle

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and was implemented District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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

Required Supplemental Information

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6
 Required Supplemental Information
 Budgetary Comparison Schedule- General Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Local sources	\$ 55,057	\$ 62,535	\$ 64,197	\$ 1,662
State sources	165,468	163,697	164,836	1,139
Federal sources	45,444	22,559	23,216	657
Total revenues	265,969	248,791	252,249	3,458
Expenditures				
Instruction				
Basic Programs	147,108	144,540	145,546	(1,006)
Added needs	38,645	19,722	20,181	(459)
Support services				
Pupil	13,650	13,092	12,941	151
Instructional staff	650	1,434	1,126	308
General administration	19,520	11,832	12,377	(545)
Business services	8,610	8,585	8,378	207
Operations and maintenance	24,469	20,349	17,158	3,191
Transportation	2,000	2,000	1,530	470
Other support services	1,150	2,002	1,818	184
Total expenditures	255,802	223,556	221,055	2,501
Excess (deficiency) of revenues over expenditures	\$ 10,167	\$ 25,235	31,194	\$ 5,959
Fund balances at beginning of year			170,807	
Fund balances at end of year			\$ 202,001	

See accompanying notes to financial statements.

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6
 Required Supplemental Information
 Schedule of District's Proportionate Share of the Net Pension Liability
 Michigan Public School Employee Retirement Plan
 Last 10 Fiscal Years (Determined as of the Plan Year Ended September 30)

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.00092%	0.00111%	0.00126%	0.00136%	0.00143%	0.00136%	0.00133%	0.00129%
District's proportionate share of net pension liability	\$ 218,342	\$ 380,833	\$ 416,296	\$ 409,460	\$ 371,709	\$ 338,234	\$ 323,695	\$ 284,840
District's covered-employee payroll	\$ 77,486	\$ 93,342	\$ 104,807	\$ 113,660	\$ 123,533	\$ 125,388	\$ 118,088	\$ 120,502
District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	281.78%	408.00%	397.20%	360.25%	300.90%	269.75%	274.11%	236.38%
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Change of benefit terms: There were no changes of benefit terms during the year

Change of assumptions- There were no changes to assumption during the year

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6

Required Supplemental Information

Schedule of District's Pension Contributions

Michigan Public School Employee Retirement Plan

Last 10 Fiscal Years (Determined as of the Year Ended June 30)

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 30,480	\$ 28,520	\$ 30,433	\$ 33,464	\$ 32,572	\$ 33,777	\$ 29,063	\$ 26,964
Contributions in relation to statutorily required contributions	\$ 30,480	\$ 28,520	\$ 30,433	\$ 33,464	\$ 32,572	\$ 33,777	\$ 29,063	\$ 26,964
Contribution deficiency (excess)	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 92,451	\$ 82,452	\$ 92,851	\$ 106,575	\$ 122,636	\$ 128,192	\$ 119,835	\$ 123,193
Contributions as a percentage of covered-employee payroll	32.97%	34.59%	32.78%	31.40%	26.56%	26.35%	24.25%	21.89%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

Haynor School District

Required Supplemental Information

Schedule of District's Proportionate Share of the Net OPEB Liability

Michigan Public School Employee Retirement Plan

Last 10 Fiscal Years (Determined as of the Plan Year Ended September 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (%)	0.00084%	0.00105%	0.00121%	0.00133%	0.00147%
District's proportionate share of net OPEB liability	\$ 12,891	\$ 56,461	\$ 86,511	\$105,766	\$ 130,574
District's covered-employee payroll	\$ 77,486	\$ 93,342	\$ 104,807	\$113,660	\$ 123,533
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	16.64%	60.49%	82.54%	93.05%	105.70%
Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%

Changes of benefit terms: There were no changes of benefit terms during the year

Changes of assumptions - the assumption changes for the year were:

Healthcare trend rate was adjusted by using a two-tier system - Pre 65 and Post 65. Pre 65 rate is 7.75% Year 1 graded to 3.5% year 15, 3.0% year 120. Post 65 is 5.25% Year 1 graded to 3.5% year 15, 3.0% year 120

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

Haynor School District

Required Supplemental Information
Schedule of District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last 10 Fiscal Years (Determined as of the Year Ended June 30)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 7,366	\$ 6,627	\$ 7,360	\$ 8,344	\$ 8,287
OPEB contributions in relation to statutorily required contributions	<u>\$ 7,366</u>	<u>\$ 6,627</u>	<u>\$ 7,360</u>	<u>\$ 8,344</u>	<u>\$ 8,287</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 92,451	\$ 82,452	\$ 92,851	\$ 106,575	\$ 122,636
OPEB contributions as a percentage of covered-employee payroll	7.97%	8.04%	7.93%	7.83%	6.76%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

Other Supplemental Information

HAYNOR SCHOOL - EASTON TOWNSHIP DISTRICT #6
Other Supplemental Information
General Fund
Schedule of Revenues and Expenditures - Budget and Actual
Year Ended June 30,2022

	2022		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
<u>Local sources</u>			
Property tax levy	\$ 62,500	\$ 64,162	\$ 1,662
Miscellaneous	35	35	0
Total local sources	62,535	64,197	1,662
<u>State sources</u>			
State aid	163,697	164,836	1,139
Total state sources	163,697	164,836	1,139
<u>Federal sources</u>			
Federal programs	16,816	17,319	503
Federal COVID-19 funds	5,743	5,897	154
Total federal sources	22,559	23,216	657
<u>Other sources</u>			
Incoming transfers	0	0	0
Total other sources	0	0	0
Total revenues	248,791	252,249	3,458
Expenditures			
<u>Instruction</u>			
Basic programs	144,540	145,546	(1,006)
Added needs	19,722	20,181	(459)
<u>Support services</u>			
Pupil	13,092	12,941	151
Instructional staff	1,434	1,126	308
General administration	11,832	12,377	(545)
Business services	8,585	8,378	207
Operations and maintenance	20,349	17,158	3,191
Transportation	2,000	1,530	470
Other support services	2,002	1,818	184
Total expenditures	223,556	221,055	2,501
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	\$ 25,235	31,194	\$ 5,959
Fund balance at beginning of year		170,807	
Fund balance at end of year		\$ 202,001	

See accompanying notes to financial statements.



THOMPSON SEILER & KOLB, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education
Haynor School District
Ionia Township School District #2F
Ionia, Michigan

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

Internal Control Over Financial Reporting

In planning and performing the audit of the financial statements, we considered Haynor School District' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Haynor School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Haynor School District' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Thompson Seiler & Kolb, PLLC

Thompson Seiler & Kolb, PLLC
Certified Public Accountants
Perrinton, MI

October 19, 2022





THOMPSON SEILER & KOLB, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Education
Haynor School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Haynor School District for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 16, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Haynor School District are described in Note 1 to the financial statements. The District implemented GASB 87, *Leases* during 2022. We noted no transactions entered into by Haynor School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements were:

- Net pension liability and the deferred outflows and deferred inflows originating in the retirement plan. The estimates were used in actuarial calculation as described in the Defined Benefit Pension Plan and Post Retirement Benefit footnote disclosure.
- Net OPEB liability and the deferred outflows and deferred inflows originating in the OPEB plan. The estimates were used in actuarial calculation as described in the Defined Benefit Pension Plan and Post Retirement Benefit footnote disclosure.
- The useful lives of its capital assets. Useful lives are estimated on the expected length of time during which the asset is able to deliver a given level of service.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statement taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.



Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 19, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Haynor School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Haynor School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI), which are required and supplement the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of Board of Education and management of Haynor School District and is not intended to be, and should not be, used by anyone other than these specified parties.



Thompson Seiler & Kolb, PLLC
Certified Public Accountants
Perrinton, MI

October 19, 2022