

Trenton Public Schools

Financial Statements

June 30, 2022



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Trenton Public Schools
Members of the Board of Education
June 30, 2022

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Independent Auditors' Report

Management and the Board of Education
Trenton Public Schools
Trenton, Michigan

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the school district adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022 on our consideration of Trenton Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Trenton Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trenton Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI
September 15, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Trenton Public Schools

Management's Discussion and Analysis

June 30, 2022

This section of Trenton Public Schools' (the "District") annual financial reports presents our discussion and analysis of the District's financial performance during the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follows this section.

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 Trenton Public Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's operations in more detail than the district-wide financial statements by providing information about the District's most significant funds; the General Fund, Hearing Impaired Fund, Debt Fund and 2018 Capital Project Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

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

Basic Financial Statements
District-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

The District as a Whole – District-wide Financial Statements

The District-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The relationship between revenue and expenditures is the District's operating results. However, the 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 schools, to assess the overall health of the District.

Trenton Public Schools

Management's Discussion and Analysis

June 30, 2022

The Statement of Net Position and the Statement of Activities report the governmental activities for the District, which encompasses all of the District's services, including instruction, support services, athletics and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and grants finance most of these activities.

The District's Most Significant Funds – Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, the District establishes many other funds to help it control and manage money for a particular purpose (Food Services is an example) or show that it is meeting legal responsibilities for using certain taxes, grants and other money (such as bond-funded construction funds used for voter-approved capital projects.) The governmental funds of the District use the following accounting approach.

Governmental funds – All of the 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 government fund statements provide a detailed short-term view of the operation of the 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 District's programs. We describe the relationship (or differences) between government activities and governmental funds in reconciliation, reported in the Statement of Net Position and the Statement of Activities.

The District as Trustee

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Trenton Public Schools
Management's Discussion and Analysis
June 30, 2022

	District's Net Assets	
	Governmental Activities	
	2020-21	2021-22
Current and Other Assets	\$ 33,116,671	\$ 17,895,825
Capital Assets, Net	<u>70,369,468</u>	<u>72,107,344</u>
Total Assets	<u>103,486,139</u>	<u>90,003,169</u>
Deferred Outflows	<u>20,579,783</u>	<u>15,449,976</u>
Current Liabilities	15,990,330	5,616,290
Long-Term Liabilities	<u>161,897,846</u>	<u>133,105,183</u>
Total Liabilities	<u>177,888,176</u>	<u>138,721,473</u>
Deferred inflows	<u>11,261,443</u>	<u>29,458,439</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	(3,583,219)	(6,596,183)
Restricted-for Food Service	240,273	583,018
	-	1,161,028
Unrestricted	<u>(61,740,751)</u>	<u>(57,874,630)</u>
Total Net Assets	<u>\$ (65,083,697)</u>	<u>\$ (62,726,767)</u>

The District's net assets were a deficit of \$65,083,697 as of June 30, 2021 due to changes of the Governmental Accounting Standards Board (GASB) to reflect the Districts proportionate share of the pension liability and liabilities related to postemployment benefits other than pensions and decreased to a deficit of \$62,726,767 as of June 30, 2022. Capital assets, (net of related debt totaling \$6,596,183) compares the cost, less depreciation of the District's capital assets, to long-term debt used to finance the acquisition of those assets. A credit balance is the result of the district refunding the previous bond debt and refinancing the debt to a lower interest rate cost as well as the passage of a new bond for program and facility construction and improvement in 2018. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations.

Trenton Public Schools
Management's Discussion and Analysis
June 30, 2022

The deficit of \$57,874,630 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year. The increase in Net Assets is also a reflection of the effects of the reporting requirements from GASB Statements 68, 71 and 75.

		District's Changes in Net Assets	
		Governmental Activities	
		2020-21	2021-22
Revenue			
Program Revenue			
Charges for Services	\$	927,528	\$ 1,709,755
Operating Grants and Contributions		14,236,438	16,168,002
General Revenue			
Property Taxes		8,549,974	8,364,895
State School Aid		17,327,218	17,838,420
Enhancement Millage		1,101,925	1,172,043
Gain on Sale of Capital Assets		-	217,578
Insurance Proceeds		74,676	81,100
Unrestricted Investment Earnings		332,781	41,450
		<u>332,781</u>	<u>41,450</u>
Total Revenue	\$	<u>42,550,540</u>	<u>\$ 45,593,243</u>
Expenses			
Instruction	\$	26,744,555	\$ 26,198,094
Support Services		13,320,883	12,053,900
Cafeteria		1,073,749	1,079,011
Interest on Long-Term Debt		3,747,274	3,657,871
Community Services		215,957	247,437
		<u>215,957</u>	<u>247,437</u>
Total Expenses	\$	<u>45,102,418</u>	<u>\$ 43,236,313</u>
Decrease in Net Assets	\$	<u>(2,551,878)</u>	<u>\$ 2,356,930</u>

Trenton Public Schools

Management's Discussion and Analysis

June 30, 2022

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$43,236,313. Certain activities were partially funded from those who benefited from the programs (\$1,709,755 this year compared to \$927,528 in the previous year) or by other governments or organizations that subsidized certain programs with grants and contributions (\$16,168,002 this year compared to \$14,236,438 in the previous year). It is important to note that due to the COVID 19 pandemic, charges for services were substantially lower while grant and contribution funds were substantially higher as expected. Trenton Public Schools paid for the remaining "public benefit" portion of our governmental activities with \$8,364,895 in taxes, \$17,838,420 in state foundation allowance and with our other revenue, i.e., interest and general entitlements.

The expenditures above show the financial burden that was placed on the State and the District's taxpayers by function. Since property taxes for operation and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the District and balance those needs with state-prescribed available unrestricted resources.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. Due to the COVID 19 pandemic, this was extremely challenging. The original budget was developed on the premise that there would be a significant decrease in foundation allowance and no additional federal funding. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. The final amended budget and actuals reflect the actual increases in state and federal funding that became available after the original budget was adopted.

Capital Asset and Debt Administration Capital Assets - The District's investment in capital assets for its governmental activities as of June 30, 2022, amounted to \$72,107,344 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment. The vast majority of the increase in assets was to WIP construction. Other asset additions included cafeteria equipment as well as a new sprinter.

District's Capital Assets (net of depreciation)

	<u>2020-21</u>	<u>2021-22</u>
Land	\$ 14	\$ 13
WIP	47,401,977	27,523,657
Land Improvements	102,570	92,424
Buildings and Improvements	22,011,413	43,733,544
Vehicles	92,102	68,347
Equipment	<u>761,392</u>	<u>689,359</u>
Total	<u>\$ 70,369,468</u>	<u>\$ 72,107,344</u>

Trenton Public Schools

Management's Discussion and Analysis

June 30, 2022

Debt - At the end of this year, the District has \$72,345,000 in general obligation bonds and \$11,005,352 in premiums on those bonds outstanding. This was a decrease in bonds outstanding from the 2020-21 year of \$1,445,000 and a decrease in premiums of \$157,914. Other obligations include compensated absences and capital leases, as well as outstanding note related to the 2018 bond payment. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Factors bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2022-23 fiscal year:

- One of the most important factors when setting the District's budget is determining both the foundation allowance as determined by the State of Michigan and the tax base for which local taxes will be received. Prior to Proposal A, schools were financed primarily through local property taxes. After passage of Proposal A, local taxation is capped at 18 mills levied on the taxable value of non-homestead property. After Proposal A, school funding was tied to each pupil counted in a district's membership. Districts receive a foundation allowance, which is a per-pupil funding amount initially determined in 1994-95 based on what the district was receiving on a per-pupil basis in 1993-94. A minimum level of funding was established, a target level was determined, and a "cutoff" point for State Aid was set (\$6,500), with dollars above that point raised from local mills. Local revenue from the 18 mills was calculated at the State level on a per-pupil basis. The state then deducts the per-pupil local revenue from the foundation allowance or hold-harmless "guaranteed" per-pupil amount. Districts above the hold-harmless amount are allowed by law to levy additional mills (with voter approval) to achieve their prescribed foundation allowance. There are only a few districts left in the State of Michigan that find it financially beneficial to levy the additional millage because as previously mentioned it is tied to property taxes and enrollment, but those collecting the hold-harmless millage are limited by the State of Michigan to receive revenue from some grants. Trenton still collects the voter approved hold-harmless millage. Up until the 2020-21 fiscal year, that amount was \$542.11 per pupil. However, when the new state budget was passed and signed into law, changes were made limiting the amount of the millage to be collected. The State of Michigan, in the attempt to make all foundation allowances equal for all pupils, increased the foundation allowance by \$589 to some districts, while others (Trenton) only received \$171. In addition, the law allowed the district to levy only \$257 per pupil in hold harmless millage. For the 2022-23 school year, Trenton Public Schools received the same foundation increase as other districts, however the of hold harmless millage allowed to be levied remains at the decreased amount. Trenton Public Schools will lose approximately \$600,000 in additional hold harmless revenue for the 2022-23 school year.
- The district received an increase in the foundation allowance of \$450.00 per FTE and is being fully funded in At-Risk funds as well as other increases in state aid. The increase in state funding in foundation allowance, special education, and categorical funds is the largest increase in funding in over a decade.
- The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. For the 2022-2023 school year, the blended count is 10 percent and 90 percent of the February 2022 and September 2023 student counts respectively.
- During the fiscal year 2021-22, numerous federal and state grants including ESSER I, II and III have become available to school districts with over \$3 million in additional funds available for Trenton Public Schools. These funds are atypical in the ability of use of funds as well as the time period in which they can be spent. They are expected to affect both instructional expenditures as well as facilities and to be expended over a two year period which continues into the 2022-23 school year.

Trenton Public Schools
Management's Discussion and Analysis
June 30, 2022

- The COVID 19 pandemic is expected to continue to affect the way in which children will be taught. Although the district is planning on face to face instruction for the entire year, options have been offered for virtual learning as well. Additional teaching staff has been hired to make sure learning options are available to all students.
- The district has two employee unions, the TEA, which is representative of the teachers and professional support staff for students, and the TPASA, which is representative of the paraprofessionals of the district. Both of these have agreements with the district through their respective expiration dates in August 2023.
- GASB Statement No. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements) is effective June 30, 2023. This statement defines when a government entity contracts with another entity to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period in time in an exchange or exchange-like transaction. This statement will not have an effect on Trenton Public Schools.
- GASB Statement No. 96 (Subscription-Based Information Technology Arrangement) is effective June 30, 2023. This Statement requires recognition of certain right-to-use subscriptions. This Statement is expected to have a minimum impact on the District's financials.
- Wayne County passed an Enhancement Millage county-wide that provides the district additional revenue to be used on educational expenditures as determined by the Board of Education. The 2 mill property tax was renewed in November of 2021 for another 6 years expiring in the fall of 2028.
- The Trenton Public School District is a Hold Harmless School District. In 1994, Proposal A dramatically changed the way school districts were funded. Some districts would have received much less in funding than they had prior to pre-Proposal A. To keep these districts held "Harmless", the school districts were allowed to petition voters in their district to approve and levy an extra millage. Trenton Public Schools Hold Harmless amount is \$542.11 per student. However, the State aid bill enacted for the 2022-23 school year has limited the amount the district can collect.
- The passage of an approximate \$57.1 million bond in May of 2018 will allow the district to expand the elementary facilities and add classroom space allowing more students to elect Trenton Public Schools as their school of choice. Updating both components of the Trenton Public School's facilities, academics and athletics, Starting in the spring of 2019, construction began on both elementary buildings. During the 2021-22, the construction on those buildings, middle school as well as construction of a new service building was completed. Work continues at the High School with a small amount of projects to be completed in the 2022-23 school year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 2603 Charlton, Trenton, Michigan 48183.

BASIC FINANCIAL STATEMENTS

Trenton Public Schools
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash	\$ 7,799,767
Investments	4,548,162
Due from other governmental units	5,471,560
Inventory	50,115
Prepaid items	26,221
Capital assets not being depreciated	27,523,670
Capital assets - net of accumulated depreciation	<u>44,583,674</u>
 Total assets	 <u>90,003,169</u>
 Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	9,775,331
Deferred amount relating to the net OPEB liability	3,986,710
Deferred amount on debt refunding	<u>1,687,935</u>
 Total deferred outflows of resources	 <u>15,449,976</u>

See Accompanying Notes to the Financial Statements

Trenton Public Schools
Statement of Net Position
June 30, 2022

	Governmental Activities
Liabilities	
Accounts payable	\$ 814,933
Due to other governmental units	549,330
Accrued payroll and related expenditures	1,255,551
Accrued expenditures	581,152
Accrued salaries payable	2,210,873
Unearned revenue	204,451
Long-term liabilities	
Net pension liability	44,955,394
Net OPEB liability	2,923,369
Debt due within one year	1,517,901
Debt due in more than one year	<u>83,708,519</u>
 Total liabilities	 <u>138,721,473</u>
 Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	18,279,500
Deferred amount relating to the net OPEB liability	<u>11,178,939</u>
 Total deferred inflows of resources	 <u>29,458,439</u>
 Net Position	
Net investment in capital assets	(6,596,183)
Restricted for	
Food service	583,018
Capital projects	1,161,028
Unrestricted	<u>(57,874,630)</u>
 Total net position	 <u>\$ (62,726,767)</u>

See Accompanying Notes to the Financial Statements

Trenton Public Schools
Statement of Activities
For the Year Ended June 30, 2022

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs				
Governmental activities				
Instruction	\$ 26,198,094	\$ 994,399	\$ 13,394,330	\$ (11,809,365)
Supporting services	12,053,900	525,421	1,393,285	(10,135,194)
Food services	1,079,011	28,044	1,380,387	329,420
Community services	247,437	161,891	-	(85,546)
Interest on long-term debt	<u>3,657,871</u>	<u>-</u>	<u>-</u>	<u>(3,657,871)</u>
Total governmental activities	<u>\$ 43,236,313</u>	<u>\$ 1,709,755</u>	<u>\$ 16,168,002</u>	<u>(25,358,556)</u>
General revenues				
Property taxes, levied for general purposes				3,686,801
Property taxes, levied for debt service				4,678,094
State aid - unrestricted				17,838,420
Interest and investment earnings				41,450
Gain on sale of capital assets				217,578
Enhancement millage				1,172,043
Insurance recoveries				<u>81,100</u>
Total general revenues and insurance recoveries				<u>27,715,486</u>
Change in net position				2,356,930
Net position - beginning				<u>(65,083,697)</u>
Net position - ending				<u>\$ (62,726,767)</u>

See Accompanying Notes to the Financial Statements

Trenton Public Schools
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Hearing Impaired Fund	Debt Fund	2018 Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 5,125,525	\$ -	\$ 303,707	\$ -	\$ 2,370,535	\$ 7,799,767
Due from other funds	10,431	315,178	81,964	-	-	407,573
Due from other governmental units	5,264,768	134,564	-	-	72,228	5,471,560
Inventory	26,684	-	-	-	23,431	50,115
Investments	-	-	22,519	4,525,643	-	4,548,162
Prepaid items	26,221	-	-	-	-	26,221
Total assets	\$ 10,453,629	\$ 449,742	\$ 408,190	\$ 4,525,643	\$ 2,466,194	\$ 18,303,398
Liabilities						
Accounts payable	\$ 356,919	\$ 2,843	\$ -	\$ 400,908	\$ 54,263	\$ 814,933
Due to other funds	397,142	-	-	-	10,431	407,573
Due to other governmental units	549,330	-	-	-	-	549,330
Payroll deductions and withholdings	1,090,139	165,412	-	-	-	1,255,551
Accrued salaries payable	1,929,386	281,487	-	-	-	2,210,873
Unearned revenue	184,381	-	-	-	20,070	204,451
Total liabilities	4,507,297	449,742	-	400,908	84,764	5,442,711

See Accompanying Notes to the Financial Statements

Trenton Public Schools
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Hearing Impaired Fund	Debt Fund	2018 Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances						
Non-spendable						
Inventory	26,684	-	-	-	23,431	50,115
Prepaid items	26,221	-	-	-	-	26,221
Restricted for						
Food service	-	-	-	-	671,665	671,665
Debt service	-	-	408,190	-	-	408,190
Capital projects	-	-	-	4,124,735	1,161,028	5,285,763
Committed for						
Student and school activities	-	-	-	-	525,306	525,306
Unassigned	5,893,427	-	-	-	-	5,893,427
 Total fund balances	5,946,332	-	408,190	4,124,735	2,381,430	12,860,687
 Total liabilities and fund balances	\$ 10,453,629	\$ 449,742	\$ 408,190	\$ 4,525,643	\$ 2,466,194	\$ 18,303,398

See Accompanying Notes to the Financial Statements

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

Total fund balances for governmental funds	\$ 12,860,687
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	27,523,670
Capital assets - net of accumulated depreciation	44,583,674
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from the net pension liability	(18,279,500)
Deferred inflows of resources resulting from the net OPEB liability	(11,178,939)
Deferred outflow of resources resulting from the net pension liability	9,775,331
Deferred outflow of resources resulting from the net OPEB liability	3,986,710
Deferred outflows of resources resulting from debt refunding	1,687,935
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(581,152)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(44,955,394)
Net OPEB liability	(2,923,369)
Severance pay	(663,634)
Bonds payable	(83,350,352)
School loan revolving fund (including accrued interest)	<u>(1,212,434)</u>
Net position of governmental activities	\$ <u>(62,726,767)</u>

See Accompanying Notes to the Financial Statements

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

	General Fund	Hearing Impaired Fund	Debt Fund	2018 Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Local sources	\$ 6,619,785	\$ 2,896,542	\$ 4,678,401	\$ 25,608	\$ 516,425	\$ 14,736,761
State sources	23,886,028	1,795,217	124,722	-	27,084	25,833,051
Federal sources	3,326,848	1,190	-	-	1,396,715	4,724,753
Total revenues	33,832,661	4,692,949	4,803,123	25,608	1,940,224	45,294,565
Expenditures						
Current						
Education						
Instruction	20,365,182	4,692,949	-	-	-	25,058,131
Supporting services	12,337,821	-	-	-	449,977	12,787,798
Food services	-	-	-	-	1,143,482	1,143,482
Community services	247,437	-	-	-	-	247,437
Intergovernmental payments	253,506	-	-	-	-	253,506
Capital outlay	147	-	-	5,987,047	271,857	6,259,051
Debt service						
Principal	31,010	-	1,445,000	-	-	1,476,010
Interest and other expenditures	1,711	-	3,623,200	-	-	3,624,911
Total expenditures	33,236,814	4,692,949	5,068,200	5,987,047	1,865,316	50,850,326
Excess (deficiency) of revenues over expenditures	595,847	-	(265,077)	(5,961,439)	74,908	(5,555,761)

See Accompanying Notes to the Financial Statements

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

	General Fund	Hearing Impaired Fund	Debt Fund	2018 Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Proceeds from school loan revolving fund	\$ -	\$ -	\$ 259,695	\$ -	\$ -	\$ 259,695
Insurance recoveries	81,100	-	-	-	-	81,100
Proceeds from sale of capital assets	217,578	-	-	-	-	217,578
Transfers in	7,555	-	-	-	567,584	575,139
Transfers out	(567,584)	-	-	-	(7,555)	(575,139)
 Total other financing sources (uses)	 (261,351)	 -	 259,695	 -	 560,029	 558,373
 Net change in fund balances	 334,496	 -	 (5,382)	 (5,961,439)	 634,937	 (4,997,388)
 Fund balances - beginning	 5,611,836	 -	 413,572	 10,086,174	 1,746,493	 17,858,075
 Fund balances - ending	 <u>\$ 5,946,332</u>	 <u>\$ -</u>	 <u>\$ 408,190</u>	 <u>\$ 4,124,735</u>	 <u>\$ 2,381,430</u>	 <u>\$ 12,860,687</u>

See Accompanying Notes to the Financial Statements

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

Net change in fund balances - Total governmental funds	\$ (4,997,388)
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,207,322)
Capital outlay	3,945,198
Expenses are recorded when incurred in the statement of activities.	
Interest	(14,850)
Claims and judgments	141,158
Severance payable	61,748
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension expense. However, the amount recorded in the governmental funds equals actual pension contributions.	
Net change in net pension liability	20,206,160
Net change in the deferred resources related to the net pension liability	(19,101,381)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in OPEB liability	7,162,406
Net change in deferrals of resources related to the net OPEB liability	(4,049,398)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balances. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Proceeds from school loan revolving fund	(259,695)
Repayments of long-term debt	1,488,404
Amortization of premiums	157,914
Amortization of gain on debt refunding	(176,024)
Change in net position of governmental activities	\$ 2,356,930

See Accompanying Notes to the Financial Statements

Trenton Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	<u>Custodial Funds</u>
Assets	
Cash	\$ <u>165,239</u>
Net Position	
Assets held in trust for scholarships and loans	\$ <u>165,239</u>

See Accompanying Notes to the Financial Statements

Trenton Public Schools
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	<u>Custodial Funds</u>
Additions	
Local sources	\$ 30,500
Interest and investment earnings	<u>490</u>
Total additions	30,990
Deductions	
Scholarship payments to individuals	<u>23,263</u>
Change in net position	7,727
Net position - beginning	<u>157,512</u>
Net position - ending	<u><u>\$ 165,239</u></u>

See Accompanying Notes to the Financial Statements

Trenton Public Schools

Notes to the Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-Wide Financial Statements

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

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

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

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

Fund Financial Statements

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

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

Trenton Public Schools
Notes to the Financial Statements
June 30, 2022

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

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

Hearing Impaired Fund – The Hearing Impaired Fund consists of those activities involved in operating the programs necessary to provide for the education of students identified as needing hearing impaired services. The Fund's revenue sources include property taxes, federal and state sources, and inter-governmental reimbursements.

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

2018 Capital Project Fund – 2018 Capital Project Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished. Operating deficits generated by these activities are generally transferred from the General Fund.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and Student/School Activity Fund.

Capital Project Fund – The Capital Project Fund is a capital project fund used to record the disbursement of invoices specifically for acquiring equipment and for remodeling and repairs.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Custodial Funds are funds entrusted to the School District for scholarship awards and the principal and interest of the custodial funds may be spent.

Approximately, \$761,000 is excluded from the fiduciary funds because it is held by First Merchants Bank, the trustee, of the Grove Family Education Trust. The Trust provides educational scholarships to students of Trenton High School for higher education.

Assets, Liabilities and Net Position or Equity

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

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

Trenton Public Schools
Notes to the Financial Statements
June 30, 2022

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

General Fund

Non-principal residence exemption	16.5854
Commercial personal property	7.4146
Non-excluded property	1.4146

Debt Service Funds

2008	3.10000
2018	4.33000

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

Investments – Investments are stated using amortized costs, which generally approximates the current fair value of the security. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess

of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-20 years
Buses and other vehicles	7-10 years

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

Severance Accrual – In the district-wide financial statements, accrued severance pay is based on longevity. Employees become eligible to receive severance payments upon termination of their employment after meeting certain criteria.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in

Trenton Public Schools
Notes to the Financial Statements
June 30, 2022

the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

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

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes

unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining service lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education.

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

Trenton Public Schools

Notes to the Financial Statements

June 30, 2022

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

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

The School District has adopted a minimum fund balance policy, as follows: the Board shall ensure that adequate funds are reserved for the General Fund to maintain a secure financial position whereby the fund equity shall not fall below 10% of the preceding year's expenditures. The School District was in compliance with this policy at June 30, 2022.

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model

for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

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

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision

Trenton Public Schools

Notes to the Financial Statements

June 30, 2022

useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

Excess of Expenditures over Appropriations

The School District did not have significant expenditure budget variances.

Compliance – Bond Proceeds

The 2018 Capital Project Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2018 Capital Project Fund from the inception of the funds through the current fiscal year:

	<u>2018 Capital Project Fund</u>
Revenues	\$ 60,433,286
Expenditures	56,308,551

Note 3 - Deposits and Investments

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 7,799,767	\$ 165,239	\$ 7,965,006
Investments	<u>4,548,162</u>	<u>-</u>	<u>4,548,162</u>
	<u>\$ 12,347,929</u>	<u>\$ 165,239</u>	<u>\$ 12,513,168</u>

Trenton Public Schools
Notes to the Financial Statements
June 30, 2022

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 7,965,006
Investments in securities, mutual funds and similar vehicles	<u>4,548,162</u>
Total	<u>\$ 12,513,168</u>

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
MILAF+ Cash Mgmt Class	\$ 819,483	N/A	AA+	Standards and Poor's
MILAF+ MAX Class	1,696,048	N/A	AA+	Standards and Poor's
MILAF TERM	<u>2,032,631</u>	N/A	AAAm	Standards and Poor's
	<u>\$ 4,548,162</u>			

Interest rate risk – In accordance with its investment policy, the School District manages its exposure to declines in fair values by limiting the investment options.

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of year end, \$7,655,007 of the School District's bank balance of \$8,155,007 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2022:

Amounts invested in MILAF+ Portfolio of \$4,548,162. The MILAF+ Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market (Level 2 inputs).

Trenton Public Schools
Notes to the Financial Statements
June 30, 2022

Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 14	\$ -	\$ 1	\$ 13
Construction in progress	<u>47,401,977</u>	<u>3,856,440</u>	<u>23,734,760</u>	<u>27,523,657</u>
Total capital assets not being depreciated	<u>47,401,991</u>	<u>3,856,440</u>	<u>23,734,761</u>	<u>27,523,670</u>
Capital assets being depreciated				
Buildings and additions	56,852,972	23,734,760	-	80,587,732
Site improvements	613,571	-	-	613,571
Equipment and furniture	3,541,136	102,240	150,477	3,492,899
Buses and other vehicles	<u>416,517</u>	<u>-</u>	<u>-</u>	<u>416,517</u>
Total capital assets being depreciated	<u>61,424,196</u>	<u>23,837,000</u>	<u>150,477</u>	<u>85,110,719</u>
Less accumulated depreciation for				
Buildings and additions	34,841,560	2,012,628	-	36,854,188
Site improvements	511,001	10,146	-	521,147
Equipment and furniture	2,779,743	160,793	136,996	2,803,540
Buses and other vehicles	<u>324,415</u>	<u>23,755</u>	<u>-</u>	<u>348,170</u>
Total accumulated depreciation	<u>38,456,719</u>	<u>2,207,322</u>	<u>136,996</u>	<u>40,527,045</u>
Net capital assets being depreciated	<u>22,967,477</u>	<u>21,629,678</u>	<u>13,481</u>	<u>44,583,674</u>
Net capital assets	<u>\$ 70,369,468</u>	<u>\$ 25,486,118</u>	<u>\$ 23,748,242</u>	<u>\$ 72,107,344</u>

Depreciation expense was charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 1,409,679
Supporting services	719,395
Food services	<u>78,248</u>
Total governmental activities	<u>\$ 2,207,322</u>

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
Hearing Impaired Fund	General Fund	\$ 315,178
Debt	General Fund	81,964
General Fund	Nonmajor funds	<u>10,431</u>
		<u>\$ 407,573</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. For the Hearing Impaired Fund, the General Fund holds excess cash until such time as the Hearing Impaired Fund requires distributions. Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

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Interfund transfers consist of a transfer from the General Fund to the Capital Project Building and Site Fund in the amount of \$567,584. These transfers were made to provide for future capital project costs. Interfund transfers also consist of a transfer from Cafeteria Fund to General Fund in the amount of \$7,555 for indirect costs.

Note 7 - Unearned Revenue

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

Deposits for food service	\$ 20,070
Rush and other club deposits	27,089
E20-20 deposits	7,770
Grant and categorical aid payments received prior to meet all eligibility requirements	<u>149,522</u>
Total	<u>\$ 204,451</u>

Note 8 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 73,790,000	\$ -	\$ 1,445,000	\$ 72,345,000	\$ 1,445,000
Premium on bonds	<u>11,163,266</u>	<u>-</u>	<u>157,914</u>	<u>11,005,352</u>	<u>-</u>
Total bonds payable	<u>84,953,266</u>	<u>-</u>	<u>1,602,914</u>	<u>83,350,352</u>	<u>1,445,000</u>
Notes from direct borrowings and direct placements					
School Loan Revolving Fund	906,150	259,695	-	1,165,845	-
Accrued interest - SLRF	<u>22,315</u>	<u>24,274</u>	<u>-</u>	<u>46,589</u>	<u>-</u>
Total notes from direct borrowings and direct placements	<u>928,465</u>	<u>283,969</u>	<u>-</u>	<u>1,212,434</u>	<u>-</u>
Other liabilities					
Leases	43,404	-	43,404	-	-
Severance pay	<u>725,382</u>	<u>31,583</u>	<u>93,331</u>	<u>663,634</u>	<u>72,901</u>
Total other liabilities	<u>768,786</u>	<u>31,583</u>	<u>136,735</u>	<u>663,634</u>	<u>72,901</u>
Total	<u>\$ 86,650,517</u>	<u>\$ 315,552</u>	<u>\$ 1,739,649</u>	<u>\$ 85,226,420</u>	<u>\$ 1,517,901</u>

For governmental activities, severance pay is primarily liquidated by the General Fund.

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

2016 Refunding Bonds due in annual installments of \$690,000 to \$2,145,000 from May 1, 2019 through May 1, 2038, interest at 4% to 5%	\$ 24,115,000
2018 School Building and Site Bonds due in annual installments of \$550,000 to \$4,650,000 from May 1, 2048, interest at 4% to 5%	<u>48,230,000</u>
Total general obligation bonded debt	<u>\$ 72,345,000</u>

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Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,505,000	\$ 3,564,400	\$ 5,069,400
2024	1,565,000	3,504,200	5,069,200
2025	1,630,000	3,441,600	5,071,600
2026	1,700,000	3,370,800	5,070,800
2027	1,775,000	3,297,250	5,072,250
2028 - 2032	10,305,000	15,062,000	25,367,000
2033 - 2037	13,145,000	12,215,750	25,360,750
2038 - 2042	15,950,000	8,644,000	24,594,000
2043 - 2047	20,120,000	4,278,500	24,398,500
2048 - 2052	<u>4,650,000</u>	<u>232,500</u>	<u>4,882,500</u>
Total	<u>\$ 72,345,000</u>	<u>\$ 57,611,000</u>	<u>\$ 129,956,000</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$408,190 to pay this debt. Future debt and interest will be payable from future tax levies.

School Loan Revolving Fund

The School District has borrowed from the Michigan School Bond Qualification and Loan Program. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate was 1.19184 percent for the School Loan Revolving Fund.

The School District did not make any payments on the balance during the fiscal year and \$24,199 of accrued interest was added to the loan balance this year. The balance at June 30, 2022, are as follows:

	School Loan Revolving Fund
Loan balance	\$ 1,165,845
Interest balance	<u>46,589</u>
Total	<u>\$ 1,212,434</u>

Accrued Severance

Accrued severance at year end, consists of vested benefits. The School District expects \$72,901 to be paid out within the next fiscal year.

Deferred Amount on Refunding

The advance refunding related to the 2016 refunding bond resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,330,923. The amortized amount of \$1,687,935 is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2038.

Note 9 - Risk Management

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

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Note 10 - Pension Plans and Post-Employment 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 the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25

percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

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

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

Required contributions to the pension plan from the School District were \$5,701,445 for the year ending September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$44,955,394 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was .1899 percent, which was an increase of .0002 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized pension expense of \$4,799,917 for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total pension contribution expense of \$6,479,514.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 696,378	\$ (264,734)	\$ 431,644
Changes of assumptions	2,833,827	-	2,833,827
Net difference between projected and actual earnings on pension plan investments	-	(14,453,015)	(14,453,015)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	43,929	(541,797)	(497,868)
Total to be recognized in future	3,574,134	(15,259,546)	(11,685,412)
School District contributions subsequent to the measurement date	6,201,197	(3,019,954)	3,181,243
Total	<u>\$ 9,775,331</u>	<u>\$ (18,279,500)</u>	<u>\$ (8,504,169)</u>

Trenton Public Schools

Notes to the Financial Statements

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

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

2022	\$ (1,519,395)
2023	(2,701,323)
2024	(3,562,113)
2025	(3,902,581)
	\$ (11,685,412)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.80% net of investment expenses
 - Pension Plus Plan: 6.80% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active RP-2014 Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

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

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Notes to the Financial Statements

June 30, 2022

Recognition period for assets is 5 years.

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

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

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

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

Rate of Return

For the plan year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return

expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 64,274,022	\$ 44,955,394	\$ 28,938,985

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

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

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

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

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

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

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

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

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

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

Required contributions to the OPEB plan from the School District were \$1,421,763 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$2,923,369 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was .1915 percent, which was an increase of .0033 percent from its proportion measured as of October 1, 2020.

For the plan year ending September 30, 2021, the School District recognized OPEB expense of (\$1,675,908) for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total OPEB contribution expense of \$1,436,862.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (8,344,548)	\$ (8,344,548)
Changes of assumptions	2,443,791	(365,682)	2,078,109
Net difference between projected and actual earnings on OPEB plan investments	-	(2,203,396)	(2,203,396)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>231,663</u>	<u>(265,313)</u>	<u>(33,650)</u>
Total to be recognized in future	2,675,454	(11,178,939)	(8,503,485)
School District contributions subsequent to the measurement date	<u>1,311,256</u>	<u>-</u>	<u>1,311,256</u>
Total	<u>\$ 3,986,710</u>	<u>\$ (11,178,939)</u>	<u>\$ (7,192,229)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2022	\$ (2,245,060)
2023	(2,045,344)
2024	(1,856,649)
2025	(1,728,825)
2026	(554,812)
Thereafter	<u>(72,795)</u>
	<u>\$ (8,503,485)</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2020
- Actuarial Cost Method: Entry Age, Normal

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Notes to the Financial Statements

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- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

- Opt Out Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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

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

Recognition period for assets is 5 years.

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

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

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

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

Trenton Public Schools
Notes to the Financial Statements
June 30, 2022

Rate of Return

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

Discount Rate

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

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 5,432,147	\$ 2,923,369	\$ 794,312

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 711,525	\$ 2,923,369	\$ 5,411,960

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

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

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2022.

Trenton Public Schools
Notes to the Financial Statements
June 30, 2022

Note 13 - Tax Abatements

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

For the fiscal year ended June 30, 2022, the School District's property tax revenues were reduced by \$220,643 under these programs.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 5,992,468	\$ 6,852,288	\$ 6,619,785	\$ (232,503)
State sources	22,534,783	23,655,239	23,886,028	230,789
Federal sources	3,781,741	5,020,213	3,326,848	(1,693,365)
 Total revenues	 32,308,992	 35,527,740	 33,832,661	 (1,695,079)
Expenditures				
Instruction				
Basic programs	15,357,514	17,642,442	16,531,972	(1,110,470)
Added needs	3,699,477	4,050,958	3,819,045	(231,913)
Adult and continuing education	2,164	38,553	14,165	(24,388)
Supporting services				
Pupil	1,997,854	2,164,198	1,864,665	(299,533)
Instructional staff	1,565,224	1,904,327	1,693,938	(210,389)
General administration	507,312	588,648	567,032	(21,616)
School administration	1,857,419	2,005,156	1,917,889	(87,267)
Business	476,870	485,380	470,304	(15,076)
Operations and maintenance	3,155,329	3,761,162	3,564,381	(196,781)
Security	75,000	90,000	73,763	(16,237)
Pupil transportation services	1,167,658	783,273	745,893	(37,380)
Central	746,969	1,115,277	931,712	(183,565)
Athletic activities	491,790	560,501	494,072	(66,429)
Other	2,000	15,350	14,172	(1,178)
Community services	219,407	296,174	247,437	(48,737)
Intergovernmental payments	270,000	279,368	253,506	(25,862)
Capital outlay	-	150	147	(3)
Debt service				
Principal	28,559	32,731	31,010	(1,721)
Interest and fiscal charges	2,000	2,000	1,711	(289)
 Total expenditures	 31,622,546	 35,815,648	 33,236,814	 (2,578,834)
 Excess (deficiency) of revenues over expenditures	 686,446	 (287,908)	 595,847	 883,755

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

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other Financing Sources (Uses)				
Insurance recoveries	\$ -	\$ -	\$ 81,100	\$ 81,100
Proceeds from sale of capital assets	-	-	217,578	217,578
Transfers in	9,605	14,468	7,555	(6,913)
Transfers out	<u>(350,000)</u>	<u>(576,330)</u>	<u>(567,584)</u>	<u>8,746</u>
Total other financing uses	<u>(340,395)</u>	<u>(561,862)</u>	<u>(261,351)</u>	<u>300,511</u>
Net change in fund balances	346,051	(849,770)	334,496	1,184,266
Fund balances - beginning	<u>5,611,836</u>	<u>5,611,836</u>	<u>5,611,836</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,957,887</u>	<u>\$ 4,762,066</u>	<u>\$ 5,946,332</u>	<u>\$ 1,184,266</u>

Trenton Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - Hearing Impaired Fund
For the Year Ended June 30, 2022

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 3,061,903	\$ 2,828,953	\$ 2,896,542	\$ 67,589
State sources	1,521,554	1,895,940	1,795,217	(100,723)
Federal sources	-	-	1,190	1,190
Total revenues	4,583,457	4,724,893	4,692,949	(31,944)
Expenditures				
Current				
Education				
Instruction	4,583,457	4,724,893	4,692,949	(31,944)
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

Trenton Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - 2018 Capital Project Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 500,000	\$ 7,000	\$ 25,608	\$ 18,608
Expenditures				
Capital outlay	<u>4,847,466</u>	<u>6,931,201</u>	<u>5,987,047</u>	<u>(944,154)</u>
Excess (deficiency) of revenues over expenditures	(4,347,466)	(6,924,201)	(5,961,439)	962,762
Fund balance - beginning	<u>10,086,174</u>	<u>10,086,174</u>	<u>10,086,174</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,738,708</u>	<u>\$ 3,161,973</u>	<u>\$ 4,124,735</u>	<u>\$ 962,762</u>

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

		June 30,									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A.	School district's proportion of net pension liability (%)	0.18990%	0.18970%	0.19180%	0.19337%	0.19448%	0.19170%	0.19202%	0.18853%		
B.	School district's proportionate share of net pension liability	\$ 44,955,394	\$ 65,161,554	\$ 63,511,618	\$ 58,130,573	\$50,399,189	\$47,834,133	\$ 46,899,849	\$ 41,526,703		
C.	School district's covered payroll	\$ 17,312,873	\$ 16,691,355	\$ 16,765,127	\$ 16,582,011	\$16,362,378	\$16,092,358	\$ 15,945,274	\$ 16,006,146		
D.	School district's proportionate share of net pension liability as a percentage of its covered payroll	259.66%	390.39%	378.83%	350.56%	308.02%	297.25%	294.13%	259.44%		
E.	Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%		

Note Disclosures

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

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

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

		For the Years Ended June 30,									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A.	Statutorily required contributions	\$ 6,479,514	\$ 5,689,651	\$ 5,334,353	\$ 5,077,653	\$ 4,915,904	\$ 3,252,408	\$ 3,284,967	\$ 2,927,993		
B.	Contributions in relation to statutorily required contributions	<u>6,479,514</u>	<u>5,689,651</u>	<u>5,334,353</u>	<u>5,077,653</u>	<u>4,915,904</u>	<u>3,252,408</u>	<u>3,284,967</u>	<u>2,927,993</u>		
C.	Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
D.	Reporting unit's covered payroll	\$ 18,159,344	\$ 17,196,712	\$ 16,733,998	\$ 16,582,011	\$ 16,366,920	\$ 16,973,667	\$ 16,583,286	\$ 15,951,480		
E.	Contributions as a percentage of covered payroll	35.68%	33.09%	31.88%	30.62%	30.04%	19.16%	19.81%	18.36%		

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

		June 30,									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A.	School district's proportion of the net OPEB liability (%)	0.19150%	0.18830%	0.19180%	0.19177%	0.19395%					
B.	School district's proportionate share of the net OPEB liability	\$ 2,923,369	\$ 10,085,775	\$ 13,770,801	\$ 15,243,643	\$17,175,421					
C.	School district's covered payroll	\$ 17,312,873	\$ 16,691,355	\$ 16,765,127	\$ 16,582,011	\$16,362,378					
D.	School district's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.89%	60.43%	82.14%	91.93%	104.97%					
E.	Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%					

Note Disclosures

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

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

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

		For the Years Ended June 30,									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A.	Statutorily required contributions	\$ 1,436,862	\$ 1,412,188	\$ 1,337,662	\$ 1,303,854	\$ 1,211,473					
B.	Contributions in relation to statutorily required contributions	<u>1,436,862</u>	<u>1,412,188</u>	<u>1,337,662</u>	<u>1,303,854</u>	<u>1,211,473</u>					
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
D.	Reporting unit's covered payroll	\$ 18,159,344	\$ 17,196,712	\$ 16,733,998	\$ 16,582,011	\$ 16,366,920					
E.	Contributions as a percentage of covered payroll	7.91%	8.21%	7.99%	7.86%	7.40%					

OTHER SUPPLEMENTARY INFORMATION

Trenton Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Cafeteria Fund	Student Activity Fund	Capital Project Building and Site Fund	
Assets				
Cash	\$ 675,372	\$ 534,135	\$ 1,161,028	\$ 2,370,535
Due from other governmental units	72,228	-	-	72,228
Inventory	23,431	-	-	23,431
Total assets	\$ 771,031	\$ 534,135	\$ 1,161,028	\$ 2,466,194
Liabilities				
Accounts payable	\$ 48,698	\$ 5,565	\$ -	\$ 54,263
Due to other funds	7,167	3,264	-	10,431
Unearned revenue	20,070	-	-	20,070
Total liabilities	75,935	8,829	-	84,764
Fund Balances				
Non-spendable				
Inventory	23,431	-	-	23,431
Restricted for				
Food service	671,665	-	-	671,665
Capital projects	-	-	1,161,028	1,161,028
Committed				
Student and school activities	-	525,306	-	525,306
Total fund balances	695,096	525,306	1,161,028	2,381,430
Total liabilities and fund balances	\$ 771,031	\$ 534,135	\$ 1,161,028	\$ 2,466,194

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

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Cafeteria Fund	Student Activity Fund	Capital Project Building and Site Fund	
Revenues				
Local sources	\$ 28,156	\$ 484,617	\$ 3,652	\$ 516,425
State sources	27,084	-	-	27,084
Federal sources	1,396,715	-	-	1,396,715
Total revenues	1,451,955	484,617	3,652	1,940,224
Expenditures				
Current				
Education				
Supporting services	-	449,977	-	449,977
Food services	1,143,482	-	-	1,143,482
Capital outlay	-	-	271,857	271,857
Total expenditures	1,143,482	449,977	271,857	1,865,316
Excess (deficiency) of revenues over expenditures	308,473	34,640	(268,205)	74,908
Other Financing Sources (Uses)				
Transfers in	6	-	567,578	567,584
Transfers out	(7,555)	-	-	(7,555)
Total other financing sources (uses)	(7,549)	-	567,578	560,029
Net change in fund balances	300,924	34,640	299,373	634,937
Fund balances - beginning	394,172	490,666	861,655	1,746,493
Total fund balances	\$ 695,096	\$ 525,306	\$ 1,161,028	\$ 2,381,430