

Marshall Public
Schools



Year Ended
June 30, 2022

Financial
Statements and
Single Audit Act
Compliance

Rehmann

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MARSHALL PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 17, 2022

Board of Education
Marshall Public Schools
Marshall, Michigan

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements 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 the District, as of June 30, 2022, and the respective changes in financial position thereof and the budgetary comparison of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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



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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other 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 combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MARSHALL PUBLIC SCHOOLS

Management's Discussion and Analysis

This section of Marshall Public Schools' (the "District") annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

· Total net position	\$ (33,341,680)
· Change in total net position	3,672,314
· Fund balances, governmental funds	12,096,372
· Change in fund balances, governmental funds	1,744,320
· Unassigned fund balance, general fund	5,124,467
· Change in fund balance, general fund	(124,974)
· Installment debt outstanding	37,810,000
· Change in installment debt	(350,000)

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, supporting services, community service, athletics and food service. The District had no business-type activities during the year.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District are *governmental funds*.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

MARSHALL PUBLIC SCHOOLS

Management's Discussion and Analysis

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the 2010A debt service fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general fund herein to demonstrate compliance with that budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plan immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the above required supplementary information.

Financial Analysis of the District as a Whole

On June 30, 2022, the District had total assets of \$65.3 million, deferred outflows of resources of \$13.9 million, liabilities of \$89.4 million, deferred inflows of resources of \$23.1 million, and net position of \$(33.3) million. Figure A-1, provides a summary of net position as of June 30, 2022 and June 30, 2021.

MARSHALL PUBLIC SCHOOLS

Management's Discussion and Analysis

Figure A-1

Condensed Statement of Net Position

	2022	2021	Change	
Assets				
Current and other assets	\$ 19,039,584	\$ 17,571,877	\$ 1,467,707	8.4%
Capital assets, net	46,223,137	47,483,590	(1,260,453)	-2.7%
	<u>65,262,721</u>	<u>65,055,467</u>	<u>207,254</u>	<u>0.3%</u>
Deferred outflows of resources	<u>13,864,724</u>	<u>19,656,287</u>	<u>(5,791,563)</u>	<u>-29.5%</u>
Liabilities				
Other liabilities	50,076,588	75,016,313	(24,939,725)	-33.2%
Long-term debt	39,277,989	39,706,676	(428,687)	-1.1%
	<u>89,354,577</u>	<u>114,722,989</u>	<u>(25,368,412)</u>	<u>-22.1%</u>
Deferred inflows of resources	<u>23,114,548</u>	<u>7,002,759</u>	<u>16,111,789</u>	<u>230.1%</u>
Net position				
Net investment in capital assets	7,664,047	8,457,403	(793,356)	-9.4%
Restricted	6,371,646	4,518,086	1,853,560	41.0%
Unrestricted (deficit)	(47,377,373)	(49,989,483)	2,612,110	-5.2%
Total net position	<u>\$ (33,341,680)</u>	<u>\$ (37,013,994)</u>	<u>\$ 3,672,314</u>	<u>-9.9%</u>

MARSHALL PUBLIC SCHOOLS

Management's Discussion and Analysis

Figure A-2 compares summaries of revenues and expenses from the fiscal years ending June 30, 2022 and June 30, 2021.

Figure A-2
Changes in Net Position

	2022	2021	Change	
Revenues				
Program revenues:				
Charges for services	\$ 1,406,982	\$ 693,805	\$ 713,177	102.8%
Operating grants & contributions	13,756,770	11,974,441	1,782,329	14.9%
General revenues:				
Property taxes	9,755,733	9,397,324	358,409	3.8%
Unrestricted state aid	16,787,372	16,754,497	32,875	0.2%
Grants and contributions	104,562	42,320	62,242	147.1%
Unrestricted investment earnings	11,151	16,774	(5,623)	-33.5%
	<u>41,822,570</u>	<u>38,879,161</u>	<u>2,943,409</u>	<u>7.6%</u>
Expenses				
Instruction	18,060,014	20,876,658	(2,816,644)	-13.5%
Supporting services	15,783,669	15,929,996	(146,327)	-0.9%
Community services	318,508	338,245	(19,737)	-5.8%
Athletics	608,902	728,069	(119,167)	-16.4%
Food service	1,595,117	1,234,046	361,071	29.3%
Interest on long-term debt	1,784,046	1,863,962	(79,916)	-4.3%
	<u>38,150,256</u>	<u>40,970,976</u>	<u>(2,820,720)</u>	<u>-6.9%</u>
Change in net position	3,672,314	(2,091,815)		
Net position, beginning of year	<u>(37,013,994)</u>	<u>(34,922,179)</u>		
Net position, end of year	<u>\$ (33,341,680)</u>	<u>\$ (37,013,994)</u>		

The District is required to report its proportionate share of the MPSERS net pension liability and net other postemployment benefits liability on the statement of net position. This results in a negative total net position of governmental activities of \$33,341,680. Of this amount, \$(47,377,373) is unrestricted net position (deficit) and \$6,371,646 represents resources that are subject to external restrictions on how they may be used. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year. Operating grants and contributions increased by \$1,782,329 from 2021 to 2022 as a result of ESSER formula funds. Charges for services increased by \$713,177 in the current year due to an increase in childcare revenue, and additional dollars from the special education consortium and special education services. Property tax revenues increased by \$358,409 from 2021 to 2022 as a result of an increase in property tax values. Instruction expenses decreased by \$2,816,644 in 2022 in comparison to 2021 primarily due to the District no longer offering virtual instruction.

Financial Analysis of the District's Funds

For the 2021-22 school year, the District's combined governmental fund balances increased by approximately \$1.7 million. As stated earlier, the fund financial statements do not encompass the long-term focus of the government-wide statements. This fact causes the discrepancy between the government-wide statements and fund financial statements. The principal payments on long-term debt, capital outlay purchases and the requirement to report the District's proportionate share of the MPSERS net pension liability and net other postemployment benefit liability offer specific examples on how the discrepancy occurs for the 2021-22 school year.

MARSHALL PUBLIC SCHOOLS

Management's Discussion and Analysis

During the year ending June 30, 2022, the District made \$350,000 of principal payments on long-term debt. The government-wide statements recognized the disbursements as a reduction to long-term debt, thus there was no impact to net position. The fund financial statements treat the principal payments as expenditures, which have the effect of reducing fund equity.

The District had capital asset additions of approximately \$1.8 million. The short-term focus of the fund financial statements treats the investment as expenditures within a single year. The long-term focus of the government-wide statements accounts for the investment as an addition to long-term assets with depreciation expense to be recorded over the useful life of the asset.

A detail explanation for the differences is provided in the financial statements. The specific reports are entitled "Reconciliation - Fund Balances of Governmental Funds to Net Position of Governmental Activities" and "Reconciliation - Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities".

General Fund. The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,124,467. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 15.2% of general fund expenditures.

The fund balance of the District's general fund decreased \$124,974 during the current fiscal year. This is attributable to an increase in the District's electrical costs due to the City of Marshall increasing rates.

2010A Debt Service Fund. Fund balance for this fund was \$3,154,204 as of June 30, 2022, which is restricted for debt service.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget to recognize unexpected changes in revenues and expenditures. The final budgeted amounts for revenue were greater than originally budgeted and the expenditures were more than originally budgeted. Significant items causing budget adjustments are discussed below:

- By state law, Marshall Public Schools' Board of Education must approve a balanced budget, effective July 1 of each year. At the same time, the State Legislature's fiscal year does not begin until October 1 of the same year.
- Over the course of the year, the District must revise its budgets as additional information ranging from student enrollment counts to unanticipated changes in costs. These budget adjustments are necessary to ensure that expenditures do not exceed the Board authorized budget in violation of State law.

The change between the original and final amended budget for revenues was an increase of \$5,204,338. State sources increased by \$1,414,364 due to the original budget being adopted by the Board of Education when the State's budget had not been finalized. It was estimated that the foundation allowance would increase by \$250 per pupil, but the actual increase was \$589 per pupil. Federal sources increased by \$2,583,582 to match the District's final allocation of the ESSER and Title awards.

The change between the original and final amended budget for expenditures was an increase of \$3,172,277 over the original budget. Total instruction costs increased by \$1,659,323, which included increased wages, benefits, and equipment purchased with ESSER funds. Total supporting services increased by \$1,599,388 due to the City of Marshall rate increase for electrical costs, the purchase of iPads for remote learning, and curriculum purchased with ESSER funds. Capital outlay increased by \$169,252 for the purchase of a school bus.

The actual revenues of \$33.7 million were more than budgeted by \$226,762, whereas the \$33.8 million of expenditures were \$490,068 less than budget. The actual revenues were greater than budget as a result of additional state and federal revenues. The actual expenditures were less than budget as a result of unexpended grant dollars, which roll over to the next fiscal year.

MARSHALL PUBLIC SCHOOLS

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the District had invested \$95.4 million in a broad range of capital assets, including school buildings, athletic facilities, computer hardware, and school buses. Accumulated depreciation/amortization was \$49.1 million, resulting in the net value of capital assets to be approximately \$46.2 million. Additions to capital assets totaled approximately \$1.8 million. Total depreciation/amortization expense for the year was approximately \$3.1 million. Figure A-3 details the historical costs, accumulated depreciation/amortization, and net book value of the District's capital assets.

Figure A-3

Capital Assets

	Capital Assets					
	2022			2021		
	Historical Cost	Accumulated Depreciation/Amortization	Net Asset Value	Historical Cost	Accumulated Depreciation/Amortization	Net Asset Value
Land	\$ 519,785	\$ -	\$ 519,785	\$ 519,785	\$ -	\$ 519,785
Construction in progress	-	-	-	673,441	-	673,441
Buildings	84,745,892	42,310,702	42,435,190	82,450,478	39,999,785	42,450,693
Vehicles	2,400,630	1,727,344	673,286	2,289,610	1,568,827	720,783
Equipment	7,359,042	5,015,612	2,343,430	7,278,736	4,495,110	2,783,626
Leased equipment	335,262	83,816	251,446	335,262	-	335,262
Totals	\$ 95,360,611	\$ 49,137,474	\$ 46,223,137	\$ 93,547,312	\$ 46,063,722	\$ 47,483,590

Additional information regarding the District's capital assets can be found in the notes to the financial statements.

MARSHALL PUBLIC SCHOOLS

Management's Discussion and Analysis

Long-Term Debt

At year-end, the District had approximately \$39.3 million in outstanding long-term debt. This amount is approximately \$429,000 less than the prior year, as shown in Figure A-4.

Figure A-4

Long-term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$39,277,989.

	Long-term Debt	
	2022	2021
General obligation bonds	\$ 37,810,000	\$ 38,160,000
Unamortized premium/discounts, net	1,247,283	1,350,014
Compensated absences	220,706	196,662
Total	<u>\$ 39,277,989</u>	<u>\$ 39,706,676</u>

Additional information regarding the District's long-term debt can be found in the notes to the financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following that could affect its financial health in the future:

- One of the most important factors affecting the District's budget is student count. The other is the state foundation revenue that is determined by multiplying the blended student count by the foundation allowance per pupil. Analyzing enrollment projections at the end of the 2021-22 school year, we anticipated that the fall student count would remain flat, no increase or decrease in enrollment. Over the past few years, the District has made a series of budget adjustments to protect its financial future. The business office stays very conservative in all budget projections when looking at student count.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Marshall Public Schools Business Office, 100 East Green Street, Marshall, MI 49068.

BASIC FINANCIAL STATEMENTS

MARSHALL PUBLIC SCHOOLS

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,374,585
Receivables	7,630,075
Prepays and other assets	34,924
Capital assets not being depreciated	519,785
Capital assets being depreciated/amortized, net	45,703,352
Total assets	65,262,721
Deferred outflows of resources	
Deferred charge on refunding	745,782
Deferred pension amounts	9,328,887
Deferred other postemployment benefit amounts	3,790,055
Total deferred outflows of resources	13,864,724
Liabilities	
Accounts payable and accrued liabilities	3,537,567
State aid note payable	3,000,000
Unearned revenue	569,147
Leases payable:	
Due within one year	82,523
Due in more than one year	172,652
Long-term debt:	
Due within one year	485,837
Due in more than one year	38,792,152
Net pension liability (due in more than one year)	40,141,899
Net other postemployment benefit liability (due in more than one year)	2,572,800
Total liabilities	89,354,577
Deferred inflows of resources	
Deferred pension amounts	13,347,146
Deferred other postemployment benefit amounts	9,767,402
Total deferred inflows of resources	23,114,548
Net position	
Net investment in capital assets	7,664,047
Restricted for:	
Debt service	4,131,387
Capital projects	1,654,278
Food service	487,749
Student service activities	98,232
Unrestricted (deficit)	(47,377,373)
Total net position	\$ (33,341,680)

The accompanying notes are an integral part of these financial statements.

MARSHALL PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 18,060,014	\$ -	\$ 7,581,299	\$ (10,478,715)
Supporting services	15,783,669	494,279	3,551,010	(11,738,380)
Community service	318,508	533,121	-	214,613
Athletics	608,902	157,396	-	(451,506)
Food service	1,595,117	222,186	1,849,315	476,384
Interest on long-term debt	1,784,046	-	775,146	(1,008,900)
Total governmental activities	<u>\$ 38,150,256</u>	<u>\$ 1,406,982</u>	<u>\$ 13,756,770</u>	<u>(22,986,504)</u>
General revenues				
Property taxes				9,755,733
Unrestricted state aid				16,787,372
Grants and contributions not restricted to specific programs				104,562
Unrestricted investment earnings				<u>11,151</u>
Total general revenues				<u>26,658,818</u>
Change in net position				3,672,314
Net position, beginning of year				<u>(37,013,994)</u>
Net position, end of year				<u>\$ (33,341,680)</u>

The accompanying notes are an integral part of these financial statements.

MARSHALL PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2022

	General Fund	2010A Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,887,208	\$ 3,673,538	\$ 2,813,839	\$ 11,374,585
Accounts receivable	160,880	-	-	160,880
Taxes receivable	4,799	-	3,553	8,352
Due from other governments	7,408,843	-	52,000	7,460,843
Due from other funds	-	-	1,254,777	1,254,777
Inventory	-	-	24,296	24,296
Prepays	10,628	-	-	10,628
Total assets	\$ 12,472,358	\$ 3,673,538	\$ 4,148,465	\$ 20,294,361
Liabilities				
Accounts payable	\$ 213,691	\$ -	\$ 3,359	\$ 217,050
Salaries and benefits payable	3,157,015	-	-	3,157,015
Due to other funds	398,429	519,334	337,014	1,254,777
Unearned revenue	568,128	-	1,019	569,147
State aid note payable	3,000,000	-	-	3,000,000
Total liabilities	7,337,263	519,334	341,392	8,197,989
Fund balances				
Nonspendable:				
Inventory	-	-	24,296	24,296
Prepays	10,628	-	-	10,628
Restricted for:				
Food service	-	-	463,453	463,453
Student scholarship	-	-	98,232	98,232
Debt service	-	3,154,204	1,140,685	4,294,889
Construction - building and site bonds	-	-	7,586	7,586
Capital projects - sinking fund millage	-	-	1,654,278	1,654,278
Committed - student activities	-	-	418,543	418,543
Unassigned	5,124,467	-	-	5,124,467
Total fund balances	5,135,095	3,154,204	3,807,073	12,096,372
Total liabilities and fund balances	\$ 12,472,358	\$ 3,673,538	\$ 4,148,465	\$ 20,294,361

The accompanying notes are an integral part of these financial statements.

MARSHALL PUBLIC SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2022

Fund balances - total governmental funds	\$ 12,096,372
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Amounts reported for *governmental activities* in the statement
of net position are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Capital assets	95,360,611
Accumulated depreciation/amortization	(49,137,474)

Certain liabilities, such as bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Leases payable	(255,175)
Bonds payable	(37,810,000)
Unamortized bond premiums and discounts	(1,247,283)
Unamortized deferred charge on refunding	745,782
Accrued interest on long-term debt	(163,502)
Accrued compensated absences	(220,706)

Certain pension and other postemployment benefit-related amounts, such as
the net pension and other postemployment benefit liabilities and deferred amounts
are not due and payable in the current period or do not represent current financial
resources and therefore are not reported in the funds.

Net pension liability	(40,141,899)
Net other postemployment benefit liability	(2,572,800)
Deferred outflows related to the net pension liability	9,328,887
Deferred outflows related to the net other postemployment benefit liability	3,790,055
Deferred inflows related to the net pension liability	(13,347,146)
Deferred inflows related to the net other postemployment benefit liability	(9,767,402)

Net position of governmental activities	<u>\$ (33,341,680)</u>
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The accompanying notes are an integral part of these financial statements.

MARSHALL PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2022

	General Fund	2010A Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources:				
Property taxes	\$ 5,152,971	\$ 2,518,459	\$ 2,084,303	\$ 9,755,733
Athletics	157,396	-	-	157,396
Earnings (losses) from investments and deposits	-	(9,296)	232	(9,064)
Food sales	-	-	88,153	88,153
Other local revenue	755,012	-	526,203	1,281,215
State sources	22,148,759	45,595	243,593	22,437,947
Federal sources	3,551,010	775,146	1,764,578	6,090,734
Interdistrict sources	1,907,107	-	-	1,907,107
Total revenues	33,672,255	3,329,904	4,707,062	41,709,221
Expenditures				
Instruction	19,873,906	-	-	19,873,906
Supporting services	12,582,936	-	476,212	13,059,148
Community services	343,061	-	-	343,061
Athletics	668,290	-	-	668,290
Food service	-	-	1,655,055	1,655,055
Debt service:				
Principal	-	-	350,000	350,000
Lease principal	80,087	-	-	80,087
Interest and fiscal charges	8,963	959,150	855,276	1,823,389
Capital outlay	239,986	-	1,871,979	2,111,965
Total expenditures	33,797,229	959,150	5,208,522	39,964,901
Net change in fund balances	(124,974)	2,370,754	(501,460)	1,744,320
Fund balances, beginning of year	5,260,069	783,450	4,308,533	10,352,052
Fund balances, end of year	\$ 5,135,095	\$ 3,154,204	\$ 3,807,073	\$ 12,096,372

The accompanying notes are an integral part of these financial statements.

MARSHALL PUBLIC SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$ 1,744,320
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Purchase/acquisition of capital assets	1,813,299
Depreciation/amortization expense	(3,073,752)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.

Principal payments on long-term debt	350,000
Principal payments on leases payable	80,087
Amortization of bond premiums and discounts	(102,731)
Amortization of deferred charge on refunding	(65,721)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in net pension liability and related deferred amounts	46,554
Change in net other postemployment benefit liability and related deferred amounts	2,696,507
Change in accrued interest payable on bonds payable	207,795
Change in the accrual for compensated absences	(24,044)

Change in net position of governmental activities	<u>\$ 3,672,314</u>
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The accompanying notes are an integral part of these financial statements.

MARSHALL PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 4,616,867	\$ 5,195,205	\$ 5,152,971	\$ (42,234)
Athletics	97,183	157,070	157,396	326
Other	460,670	740,842	755,012	14,170
State sources	20,604,476	22,018,840	22,148,759	129,919
Federal sources	898,475	3,482,057	3,551,010	68,953
Interdistrict sources	1,563,484	1,851,479	1,907,107	55,628
Total revenues	28,241,155	33,445,493	33,672,255	226,762
Expenditures				
Current:				
Instruction:				
Basic programs	14,891,969	15,796,284	15,952,380	156,096
Added needs	3,552,887	4,307,895	3,921,526	(386,369)
Total instruction	18,444,856	20,104,179	19,873,906	(230,273)
Supporting services:				
Pupil services	1,607,037	2,492,170	2,466,652	(25,518)
Instructional support	615,658	809,537	766,333	(43,204)
General administration	465,579	289,776	286,766	(3,010)
School administration	2,169,129	2,253,096	2,251,042	(2,054)
Business services	661,020	580,182	561,695	(18,487)
Operations and maintenance	3,261,007	3,765,917	3,631,936	(133,981)
Transportation	1,769,907	1,803,675	1,799,965	(3,710)
Central support	845,220	1,019,592	931,896	(87,696)
Interfund reimbursements	(80,000)	(100,000)	(113,349)	(13,349)
Total supporting services	11,314,558	12,913,946	12,582,936	(331,009)
Community services	509,688	349,828	343,061	(6,767)
Athletics	778,419	682,593	668,290	(14,303)
Debt service:				
Lease principal	-	-	80,087	80,087
Interest	-	-	8,963	8,963
Total debt service	-	-	89,050	89,050
Capital outlay	67,500	236,752	239,986	3,234
Total expenditures	31,115,021	34,287,297	33,797,229	(490,068)
Net change in fund balance	(2,873,866)	(841,804)	(124,974)	716,830
Fund balance, beginning of year	5,260,069	5,260,069	5,260,069	-
Fund balance, end of year	\$ 2,386,203	\$ 4,418,265	\$ 5,135,095	\$ 716,830

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Marshall Public Schools (the "District") has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or one year for reimbursement-based grants. 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.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

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

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for and reported in another fund.

The *2010A debt service fund* is used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Additionally, the District reports the following fund types:

Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Inventory and Prepaids

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

Capital Assets

Capital assets, which include land, buildings, equipment and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20-50
Vehicles	5-10
Equipment	5-30

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the deferred charge on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Accrued Compensated Absences

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits and retirement incentives. These are accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources related to pension and other postemployment benefit costs.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, *committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. As applicable, the District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or his/her designee. *Unassigned fund balance* is the residual classification for the general fund.

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

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability and net other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

2. BUDGETARY INFORMATION

The general and special revenue funds are under formal budgetary control. The general fund budget shown in the financial statements is adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and is not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2022, the District incurred expenditures which were in excess of the amounts appropriated, as follows:

	Final Budget	Actual	Over Budget
General fund			
Instruction -			
Basic programs	\$ 15,796,284	\$ 15,952,380	\$ 156,096
Debt service:			
Lease principal	-	80,087	80,087
Interest	-	8,963	8,963
Capital outlay	236,752	239,986	3,234
Food service fund			
Food service	1,598,925	1,655,055	56,130
Capital outlay	19,800	40,640	20,840
Student activity fund			
Supporting services	355,759	476,212	120,453

3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Statement of Net Position

Cash and cash equivalents	<u>\$ 11,374,585</u>
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Deposits and investments

Cash on hand	\$ 701
Checking/savings accounts	4,833,826
Certificate of deposit	98,232
Investments	<u>6,441,826</u>

Total	<u><u>\$ 11,374,585</u></u>
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MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

Statutory Authority

Michigan law authorizes the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allow for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investments.

Investments	Maturity	Fair Value	Rating
Michigan CLASS government investment pool	n/a	\$ 3,537,900	S&P-AAAm
Huntington:			
Federated government obligation fund	n/a	1,173	S&P-AAAm
U.S. treasuries	< 1 year	<u>2,902,753</u>	n/a
		<u>\$ 6,441,826</u>	

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

Deposit and Investment Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for the investments held at year end are identified in the table above.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings on investments held at year-end are noted above.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$4,642,737 of the District's bank balance of \$5,236,469 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The investments listed above are not subject to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Fair Value Measurements

The 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 District's recurring fair value measurement as of June 30, 2022 for its investments in the federated government obligation fund and U.S. treasuries are valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs).

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

Investments in Entities that Calculate Net Asset Value per Share. The District holds shares in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the District's investment in Michigan CLASS was \$3,537,900. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

4. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Nonmajor Governmental Funds	Total
Accounts receivable	\$ 160,880	\$ -	\$ 160,880
Taxes receivable	4,799	3,553	8,352
Due from other governments	7,408,843	52,000	7,460,843
	<u>\$ 7,574,522</u>	<u>\$ 55,553</u>	<u>\$ 7,630,075</u>

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

5. CAPITAL ASSETS

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

	Beginning Balance *	Additions	Transfers/ Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 519,785	\$ -	\$ -	\$ 519,785
Construction in progress	673,441	-	(673,441)	-
Total capital assets not being depreciated	1,193,226	-	(673,441)	519,785
Capital assets, being depreciated/amortized:				
Buildings	82,450,478	1,621,973	673,441	84,745,892
Vehicles	2,289,610	111,020	-	2,400,630
Equipment	7,278,736	80,306	-	7,359,042
Leased equipment	335,262	-	-	335,262
Total capital assets being depreciated/amortized	92,354,086	1,813,299	673,441	94,840,826
Less accumulated depreciation/amortization for:				
Buildings	39,999,785	2,310,917	-	42,310,702
Vehicles	1,568,827	158,517	-	1,727,344
Equipment	4,495,110	520,502	-	5,015,612
Leased equipment	-	83,816	-	83,816
Total accumulated depreciation/amortization	46,063,722	3,073,752	-	49,137,474
Total capital assets being depreciated/amortized, net	46,290,364	(1,260,453)	673,441	45,703,352
Governmental activities capital assets, net	\$ 47,483,590	\$ (1,260,453)	\$ -	\$ 46,223,137

* The District implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leased assets have been added to the beginning balances shown above and a corresponding lease payable has been recorded for the same amount.

Depreciation/amortization expense was charged entirely to the supporting services function.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	2010A Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Financial Statements				
Accounts payable	\$ 213,691	\$ -	\$ 3,359	\$ 217,050
Salaries and benefits payable	3,157,015	-	-	3,157,015
	<u>\$ 3,370,706</u>	<u>\$ -</u>	<u>\$ 3,359</u>	3,374,065
Government-wide Financial Statements				
Accrued interest on long-term debt				<u>163,502</u>
				<u>\$ 3,537,567</u>

7. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2022, interfund receivables and payables consisted of the following:

	Interfund Receivable	Interfund Payable
General fund	\$ -	\$ 398,429
2010A Debt service fund	-	519,334
Nonmajor governmental funds	<u>1,254,777</u>	<u>337,014</u>
	<u>\$ 1,254,777</u>	<u>\$ 1,254,777</u>

The District often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

8. LEASES

The District is involved in one agreement as a lessee that qualifies as a long-term lease agreement. Below is a summary of the nature of this agreement. This agreement qualifies as an intangible, right-to-use asset and not a financed purchase, as the District will not own the asset at the end of the contract term and the noncancelable term of the agreement surpasses one year.

Remaining Term of Agreements

Asset Type

Equipment 3 years

The assets acquired through leases in governmental activities are summarized as follows:

Equipment	\$ 335,262
Less accumulated amortization	<u>(83,816)</u>
Net book value	<u><u>\$ 251,446</u></u>

The net present value of future minimum payments as of June 30, 2022, were as follows:

Year Ended June 30,	Principal	Interest
2023	\$ 82,523	\$ 6,527
2024	85,033	4,017
2025	<u>87,619</u>	<u>1,430</u>
Total	<u><u>\$ 255,175</u></u>	<u><u>\$ 11,974</u></u>

Lease liability activity for the year ended June 30, 2022, was as follows:

	Beginning Balance *	Additions	Deductions	Ending Balance	Due Within One Year
Leases payable	<u>\$ 335,262</u>	<u>\$ -</u>	<u>\$ (80,087)</u>	<u>\$ 255,175</u>	<u>\$ 82,523</u>

* The District implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leases payable have been added to the beginning balances shown above and a corresponding lease asset has been recorded for the same amount.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

9. LONG-TERM DEBT

The following is a summary of bond and compensated absences transactions of the District for the year ended June 30, 2022:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 38,160,000	\$ -	\$ (350,000)	\$ 37,810,000	\$ 350,000
Unamortized bond premiums	1,381,780	-	(108,025)	1,273,755	108,025
Unamortized bond discounts	(31,766)	-	5,294	(26,472)	(5,294)
Compensated absences	196,662	90,787	(66,743)	220,706	33,106
	<u>\$ 39,706,676</u>	<u>\$ 90,787</u>	<u>\$ (519,474)</u>	<u>\$ 39,277,989</u>	<u>\$ 485,837</u>

Compensated absences are typically liquidated by the general fund.

Bonds payable consist of the following issues:

General Obligation Bonds

2010 Building and Site Bonds Series A, due in one installment of \$15,000,000 in 2027, interest at 6.375%	\$ 15,000,000
2015 Refunding Bonds, due in annual installments of \$250,000 to \$2,550,000 beginning 2016 through 2033, interest at 3.00% to 4.00%	18,005,000
2016 Refunding Bonds, due in annual installments of \$85,000 to \$1,550,000 beginning 2016 through 2034, interest at 2.50% to 4.00%	3,415,000
2017 Refunding Bonds, due in annual installments of \$25,000 to \$350,000 beginning 2017 through 2032, interest at 1.00% to 3.30%	<u>1,390,000</u>
Total general obligation bonds	<u><u>\$ 37,810,000</u></u>

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Notes to Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 350,000	\$ 1,796,006	\$ 2,146,006
2024	350,000	1,782,006	2,132,006
2025	310,000	1,768,993	2,078,993
2026	310,000	1,756,968	2,066,968
2027	15,330,000	1,746,231	17,076,231
2028-2032	16,970,000	2,615,635	19,585,635
2033-2034	4,190,000	143,116	4,333,116
Totals	\$ 37,810,000	\$ 11,608,955	\$ 49,418,955

10. SHORT-TERM DEBT

During the year, the District financed certain of its operations through the issuance of a State Aid Note. The note was issued for terms of less than one year, and accordingly is recorded as a liability of the general fund. The District borrowed \$3,000,000 on August 20, 2021 with an interest rate of 0.39%. This note is due on August 22, 2022. Changes in short-term state aid notes for the year ended June 30, 2022 were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	\$ 4,000,000	\$ 3,000,000	\$ 4,000,000	\$ 3,000,000

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District participates in the SET/SEG risk pool for all claims except health insurance, which is covered under MESSA, IUOE Trust Fund, and Blue Cross. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

12. PROPERTY TAXES

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1, and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14, and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "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 at the ORS website at www.michigan.gov/orsschools.

Pension 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% to 1.50%. 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 member 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.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

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

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

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

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

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 an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	19.78% - 20.14%
Member Investment Plan (MIP)	3.00% - 7.00%	19.78% - 20.14%
Pension Plus	3.00% - 6.40%	16.82% - 17.22%
Pension Plus 2	6.20%	19.59% - 19.93%
Defined Contribution	0.00%	13.39% - 13.73%

For the year ended June 30, 2022, required and actual contributions from the District to the pension plan were \$5,536,983, which included \$2,501,978, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.09% - 8.43%
Personal Healthcare Fund (PHF)	0.00%	7.23% - 7.57%

For the year ended June 30, 2022, required and actual contributions from the District to the OPEB plan were \$1,370,407.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

The table below summarizes defined contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2022, required and actual contributions from the District for those members with a defined contribution benefit were \$217,490.

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

At June 30, 2022, the District reported a liability of \$40,141,899 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 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 District's proportion was 0.16955%, which was an increase of 0.00018% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$5,406,997. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 621,815	\$ 236,388	\$ 385,427
Changes in assumptions	2,530,402	-	2,530,402
Net difference between projected and actual earnings on pension plan investments	-	12,905,491	(12,905,491)
Changes in proportion and differences between employer contributions and proportionate share of contributions	842,126	205,267	636,859
	3,994,343	13,347,146	(9,352,803)
District contributions subsequent to the measurement date	5,334,544	-	5,334,544
Total	\$ 9,328,887	\$ 13,347,146	\$ (4,018,259)

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

The \$5,334,544 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2023	\$ (798,721)
2024	(2,004,383)
2025	(3,048,938)
2026	<u>(3,500,761)</u>
Total	<u>\$ (9,352,803)</u>

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

At June 30, 2022, the District reported a liability of \$2,572,800 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.16856% which was a decrease of 0.00157% from its proportion measured as of September 30, 2020.

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Notes to Financial Statements

For the year ended June 30, 2022, the District recognized OPEB expense of \$(1,350,231). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 7,343,874	\$ (7,343,874)
Changes in assumptions	2,150,733	321,830	1,828,903
Net difference between projected and actual earnings on OPEB plan investments	-	1,939,166	(1,939,166)
Changes in proportion and differences between employer contributions and proportionate share of contributions	355,898	162,532	193,366
	<u>2,506,631</u>	<u>9,767,402</u>	<u>(7,260,771)</u>
District contributions subsequent to the measurement date	<u>1,283,424</u>	-	<u>1,283,424</u>
Total	<u><u>\$ 3,790,055</u></u>	<u><u>\$ 9,767,402</u></u>	<u><u>\$ (5,977,347)</u></u>

The \$1,283,424 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:

Year Ended June 30,	Amount
2023	\$ (1,851,296)
2024	(1,695,261)
2025	(1,576,840)
2026	(1,509,600)
2027	(554,963)
Thereafter	<u>(72,811)</u>
Total	<u><u>\$ (7,260,771)</u></u>

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

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. The total pension and OPEB liabilities in the September 30, 2020 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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 and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2021, are 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. The recognition period for pension liabilities is 4.4367 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.1312 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

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Notes to Financial Statements

Long-term Expected Return on Pension 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	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	<u>100.00%</u>		5.04%
Inflation			2.00%
Risk adjustment			<u>-0.24%</u>
Investment rate of return			<u>6.80%</u>

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

Long-term Expected Return on OPEB 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	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	<u>100.00%</u>		5.04%
Inflation			2.00%
Risk adjustment			<u>-0.09%</u>
Investment rate of return			<u><u>6.95%</u></u>

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.30% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and 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 pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates 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 and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
District's proportionate share of the net pension liability	\$ 57,392,029	\$ 40,141,899	\$ 25,840,409

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

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

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	\$ 4,780,726	\$ 2,572,800	\$ 699,059

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Notes to Financial Statements

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

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

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net OPEB liability	\$ 626,199	\$ 2,572,800	\$ 4,762,960

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2022, the District reported a payable of \$802,811 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2022.

Payable to the OPEB Plan

At June 30, 2022, the District reported a payable of \$139,668 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2022.

14. SINKING FUND

The Sinking Fund Capital Project Fund records capital project activities funded with a Sinking Fund millage. For this fund, the District has complied with the applicable provisions of §1212(1) of the Michigan Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

15. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2022, net investment in capital assets was comprised of the following:

Capital assets not being depreciated	\$ 519,785
Capital assets being depreciated/amortized, net	45,703,352
Leases payable	(255,175)
Bonds payable	(37,810,000)
Unamortized bond premium	(1,273,755)
Unamortized bond discount	26,472
Unamortized deferred charge on refunding	745,782
Unexpended bond proceeds	<u>7,586</u>
Total net investment in capital assets	<u>\$ 7,664,047</u>

16. TAX ABATEMENTS

The District received reduced property tax revenues during 2022 as a result of industrial facilities tax exemptions (IFT's) entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements amounted to approximately \$10,337 in reduced District tax revenues for 2022.

17. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past two years, the District has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately \$1.9 million was expended and recognized as revenue during the current fiscal year. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.

MARSHALL PUBLIC SCHOOLS

Notes to Financial Statements

18. SUBSEQUENT EVENTS

State Aid Anticipation Notes

On August 22, 2022, the District received proceeds of \$2,500,000 from a State of Michigan School Aid anticipation note due August 21, 2023. The note bears interest at 1.990%.

Bus Lease

On July 15, 2022, the District entered into a lease for two school buses with two annual lease payments of \$37,591 through 2023.

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REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

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

	Year Ended June 30,		
	2022	2021	2020
District's proportionate share of the net pension liability	\$ 40,141,899	\$ 58,181,258	\$ 54,821,077
District's proportion of the net pension liability	0.16955%	0.16937%	0.16554%
District's covered payroll	\$ 15,293,700	\$ 15,129,391	\$ 14,665,783
District's proportionate share of the net pension liability as a percentage of its covered payroll	262.47%	384.56%	373.80%
Plan fiduciary net position as a percentage of the total pension liability	72.60%	59.72%	60.31%

See notes to required supplementary information.

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Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 49,081,329	\$ 42,113,418	\$ 41,438,288	\$ 35,474,843	\$ 30,840,734
0.16327%	0.16251%	0.16609%	0.14524%	0.14002%
\$ 13,915,421	\$ 13,735,145	\$ 13,476,627	\$ 11,590,074	\$ 12,277,895
352.71%	306.61%	307.48%	306.08%	251.19%
62.36%	64.21%	63.27%	63.17%	66.20%

MARSHALL PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan
Schedule of the District's Pension Contributions

	Year Ended June 30,		
	2022	2021	2020
Statutorily required contribution	\$ 5,536,983	\$ 5,093,354	\$ 4,624,866
Contributions in relation to the statutorily required contribution	<u>(5,536,983)</u>	<u>(5,093,354)</u>	<u>(4,624,866)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 15,907,193	\$ 15,314,217	\$ 15,199,933
Contributions as a percentage of covered payroll	34.81%	33.26%	30.43%

See notes to required supplementary information.

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Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 4,398,519	\$ 4,508,292	\$ 3,777,078	\$ 3,146,358	\$ 2,842,368
(3,294,801)	(4,508,292)	(3,777,078)	(3,146,358)	(2,842,368)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,851,601	\$ 14,379,895	\$ 13,822,828	\$ 11,016,943	\$ 12,668,723
29.62%	31.35%	27.32%	28.56%	22.44%

MARSHALL PUBLIC SCHOOLS

Required Supplementary Information

MPERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (OPEB) Liability

	Year Ended June 30,				
	2022	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 2,572,800	\$ 9,114,133	\$ 12,021,679	\$ 12,986,646	\$ 14,370,404
District's proportion of the net OPEB liability	0.16856%	0.17013%	0.16749%	0.16338%	0.16228%
District's covered payroll	\$ 15,293,700	\$ 15,129,391	\$ 14,665,783	\$ 13,915,421	\$ 13,735,145
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.82%	60.24%	81.97%	93.33%	104.63%
Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

MARSHALL PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Other Postemployment Benefit (OPEB) Contributions

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 1,370,407	\$ 1,239,043	\$ 1,185,497	\$ 1,140,019	\$ 1,045,411
Contributions in relation to the statutorily required contribution	(1,370,407)	(1,239,043)	(1,185,497)	(1,140,019)	(1,045,411)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 15,907,193	\$ 15,314,217	\$ 15,199,933	\$ 14,851,601	\$ 14,379,895
Contributions as a percentage of covered payroll	8.62%	8.09%	7.80%	7.68%	7.27%

See notes to required supplementary information.

MARSHALL PUBLIC SCHOOLS

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

**COMBINING FUND
FINANCIAL STATEMENTS**

MARSHALL PUBLIC SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

	Special Revenue			Debt Service
	Food Service	Student Activity	Student Scholarship	2017 Debt Service
Assets				
Cash and cash equivalents	\$ 17,402	\$ 418,543	\$ 98,232	\$ 71,358
Taxes receivable	-	-	-	-
Due from other governments	52,000	-	-	-
Due from other funds	398,429	-	-	294,565
Inventory	24,296	-	-	-
Total assets	<u>\$ 492,127</u>	<u>\$ 418,543</u>	<u>\$ 98,232</u>	<u>\$ 365,923</u>
Liabilities				
Accounts payable	\$ 3,359	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Unearned revenue	1,019	-	-	-
Total liabilities	<u>4,378</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable -				
Inventory	24,296	-	-	-
Restricted for:				
Food service	463,453	-	-	-
Student scholarship	-	-	98,232	-
Debt service	-	-	-	365,923
Construction - building and site bonds	-	-	-	-
Construction - sinking fund millage	-	-	-	-
Committed - student activities	-	418,543	-	-
Total fund balances	<u>487,749</u>	<u>418,543</u>	<u>98,232</u>	<u>365,923</u>
Total liabilities and fund balances	<u>\$ 492,127</u>	<u>\$ 418,543</u>	<u>\$ 98,232</u>	<u>\$ 365,923</u>



Debt Service			Capital Projects		
2016 Debt Service	2015 Debt Service	2014 Debt Service	Sinking Fund	2010B Capital Projects Fund	Total
\$ 138,899	\$ 409,345	\$ -	\$ 1,652,474	\$ 7,586	\$ 2,813,839
-	1,749	-	1,804	-	3,553
-	-	-	-	-	52,000
273,618	-	288,165	-	-	1,254,777
-	-	-	-	-	24,296
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<u>\$ 412,517</u>	<u>\$ 411,094</u>	<u>\$ 288,165</u>	<u>\$ 1,654,278</u>	<u>\$ 7,586</u>	<u>\$ 4,148,465</u>
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\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,359
-	337,014	-	-	-	337,014
-	-	-	-	-	1,019
<hr/>					
-	337,014	-	-	-	341,392
<hr/>					
-	-	-	-	-	24,296
-	-	-	-	-	463,453
-	-	-	-	-	98,232
412,517	74,080	288,165	-	-	1,140,685
-	-	-	-	7,586	7,586
-	-	-	1,654,278	-	1,654,278
-	-	-	-	-	418,543
<hr/>					
412,517	74,080	288,165	1,654,278	7,586	3,807,073
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<u>\$ 412,517</u>	<u>\$ 411,094</u>	<u>\$ 288,165</u>	<u>\$ 1,654,278</u>	<u>\$ 7,586</u>	<u>\$ 4,148,465</u>

MARSHALL PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue			Debt Service
	Food Service	Student Activity	Student Scholarship	2017 Debt Service
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ 236,284
Earnings from investments and deposits	8	-	94	8
Food sales	88,153	-	-	-
Other local revenue	20,676	494,279	-	-
State sources	84,737	-	-	11,801
Federal sources	1,764,578	-	-	-
Total revenues	1,958,152	494,279	94	248,093
Expenditures				
Supporting services	-	476,212	-	-
Food service	1,655,055	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	42,450
Capital outlay	40,640	-	-	-
Total expenditures	1,695,695	476,212	-	42,450
Net change in fund balances	262,457	18,067	94	205,643
Fund balances, beginning of year	225,292	400,476	98,138	160,280
Fund balances, end of year	\$ 487,749	\$ 418,543	\$ 98,232	\$ 365,923



Debt Service			Capital Projects		Total
2016 Debt Service	2015 Debt Service	2014 Debt Service	Sinking Fund	2010B Capital Projects Fund	
\$ 698,332	\$ 380,065	\$ 2,684	\$ 766,938	\$ -	\$ 2,084,303
10	112	-	-	-	232
-	-	-	-	-	88,153
-	2,659	-	8,589	-	526,203
29,771	117,284	-	-	-	243,593
-	-	-	-	-	1,764,578
<hr/>					
728,113	500,120	2,684	775,527	-	4,707,062
<hr/>					
-	-	-	-	-	476,212
-	-	-	-	-	1,655,055
350,000	-	-	-	-	350,000
123,856	688,970	-	-	-	855,276
-	-	-	1,831,339	-	1,871,979
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473,856	688,970	-	1,831,339	-	5,208,522
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254,257	(188,850)	2,684	(1,055,812)	-	(501,460)
158,260	262,930	285,481	2,710,090	7,586	4,308,533
<hr/>					
\$ 412,517	\$ 74,080	\$ 288,165	\$ 1,654,278	\$ 7,586	\$ 3,807,073
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SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

October 17, 2022

Board of Education
Marshall Public Schools
Marshall, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Marshall Public Schools** (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 17, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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MARSHALL PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-Through / Grantor Number
U.S. Department of Agriculture			
Child Nutrition Cluster:			
Seamless Summer Option (SSO) Breakfast	10.553	MDE	211971
Seamless Summer Option (SSO) Breakfast	10.553	MDE	221971
Entitlement commodities - (non-cash assistance)	10.555	MDE	N/A
National School Lunch Program:			
Seamless Summer Option (SSO) Lunch	10.555	MDE	211961
Seamless Summer Option (SSO) Lunch	10.555	MDE	221961
COVID-19 - Emergency Operations - SNP Meals	10.555	MDE	211965
Supply Chain Assistance	10.555	MDE	220910
Extended Summer Food Service Program	10.559	MDE	210904
Fresh Fruit and Vegetable Program	10.582	MDE	220950
Total Child Nutrition Cluster			
Emergency Operations - CACFP Meals	10.558	MDE	211925
COVID-19 - Pandemic EBT Local Level Costs	10.649	MDE	210980
Total U.S. Department of Agriculture			
U.S. Federal Communications Commission			
COVID-19 - Emergency Connectivity Fund Program	32.009	USAC	N/A
U.S. Department of Education			
Title I, Part A - Improving Basic Programs:			
Project 211530-2021	84.010	MDE	211530
Project 221530-2122	84.010	MDE	221530
Title II, Part A - Improving Teacher Quality:			
Project 210520-2021	84.367	MDE	210520
Project 220520-2122	84.367	MDE	220520
Title IV, Part A - Student Support and Academic Enrichment:			
Project 210750-2021	84.424	MDE	210750
Project 220750-2122	84.424	MDE	220750

Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2021	Prior Year(s) Expenditures (Memo Only)	Expenditures June 30, 2022	Current Year Receipts (Cash Basis)	Accrued (Unearned) Revenue June 30, 2022
\$ 55,473	\$ -	\$ -	\$ 55,473	\$ 55,473	\$ -
349,305	-	-	349,305	324,266	25,039
	-	-	404,778	379,739	25,039
104,072	-	-	104,072	104,072	-
160,041	-	-	160,041	160,041	-
956,980	-	-	956,980	956,980	-
2,679	-	-	2,679	2,679	-
51,632	-	-	51,632	51,632	-
	-	-	1,275,404	1,275,404	-
721,794	58,776	660,628	61,166	119,942	-
14,420	-	-	14,420	14,420	-
	58,776	660,628	1,755,768	1,789,505	25,039
5,747	-	-	5,747	5,747	-
3,063	-	-	3,063	3,063	-
	58,776	660,628	1,764,578	1,798,315	25,039
137,592	-	-	137,592	-	137,592
1,426,533	210,296	661,304	101,758	312,054	-
1,899,802	-	-	1,069,810	-	1,069,810
	210,296	661,304	1,171,568	312,054	1,069,810
220,807	36,344	130,685	62,377	98,721	-
165,349	-	-	47,256	-	47,256
	36,344	130,685	109,633	98,721	47,256
114,817	193	193	114,622	114,815	-
80,364	-	-	67,140	-	67,140
	193	193	181,762	114,815	67,140

continued...

MARSHALL PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass- Through / Grantor Number
U.S. Department of Education (continued)			
COVID-19 - Education Stabilization Fund:			
Governor's Emergency Education Relief (GEER) Fund -			
GEER II - Teacher & Support Staff Payments	84.425C	MDE	211202-2122
Elementary and Secondary School Emergency Relief (ESSER) Fund:			
ESSER I - Formula Funds	84.425D	MDE	203710-1920
ESSER II - Formula Funds	84.425D	MDE	213712-2021
ESSER II - Summer Programming K-8	84.425D	MDE	213722-2122
ESSER II - Credit Recovery 9-12	84.425D	MDE	213742-2122
ESSER III - American Rescue Plan	84.425U	MDE	213713-2122
Total U.S. Department of Education			
Total Federal Financial Assistance			

See notes to schedule of expenditures of federal awards.



Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2021	Prior Year(s) Expenditures (Memo Only)	Expenditures June 30, 2022	Current Year Receipts (Cash Basis)	Accrued (Unearned) Revenue June 30, 2022
\$ 36,750	\$ -	\$ -	\$ 36,750	\$ 36,750	\$ -
898,067	-	774,500	123,567	123,567	-
4,358,146	-	-	1,299,101	-	1,299,101
233,200	-	-	233,200	233,200	-
51,700	-	-	51,700	51,700	-
9,756,620	-	-	1,624	-	1,624
	<u>-</u>	<u>774,500</u>	<u>1,745,942</u>	<u>445,217</u>	<u>1,300,725</u>
	<u>246,833</u>	<u>1,566,682</u>	<u>3,208,905</u>	<u>970,807</u>	<u>2,484,931</u>
	<u>\$ 305,609</u>	<u>\$ 2,227,310</u>	<u>\$ 5,111,075</u>	<u>\$ 2,769,122</u>	<u>\$ 2,647,562</u>

concluded.

MARSHALL PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Marshall Public Schools (the "District") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
USAC	Universal Service Administrative Co.

MARSHALL PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

4. RECONCILIATION TO FEDERAL REVENUES

A reconciliation of revenues from federal sources reported in the governmental funds financial statements and expenditures reported in the Schedule of Expenditures of Federal Awards is as follows:

Expenditures per schedule of expenditures of federal awards	\$ 5,111,075
Federal assistance received as beneficiary	204,513
Reconciling Item - Bond Interest Subsidies:	
Qualified School Construction Bonds	<u>775,146</u>
Federal revenue as reported in the financial statements	<u><u>\$ 6,090,734</u></u>

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

October 17, 2022

Board of Education
Marshall Public Schools
Marshall, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Marshall Public Schools** (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2022.

Report on Internal Control Over Financial Reporting

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

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 17, 2022

Board of Education
Marshall Public Schools
Marshall, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of **Marshall Public Schools** (the "District") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Independent Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

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MARSHALL PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.425	Education Stabilization Fund	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

MARSHALL PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

MARSHALL PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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MARSHALL PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2022

None reported.

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