

WILLIAMSTON COMMUNITY SCHOOLS

REPORT ON FINANCIAL STATEMENTS

**(with required and additional
supplementary information)**

YEAR ENDED JUNE 30, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Williamston Community Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williamston Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Williamston Community Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Williamston Community Schools, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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 Williamston Community Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Williamston Community Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards 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 20, 2023 on our consideration of Williamston Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Williamston Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Williamston Community Schools' internal control over financial reporting and compliance.

Maney Costeiman PC

October 20, 2023

MANAGEMENT’S DISCUSSION & ANALYSIS

This section of Williamston Community Schools’ annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

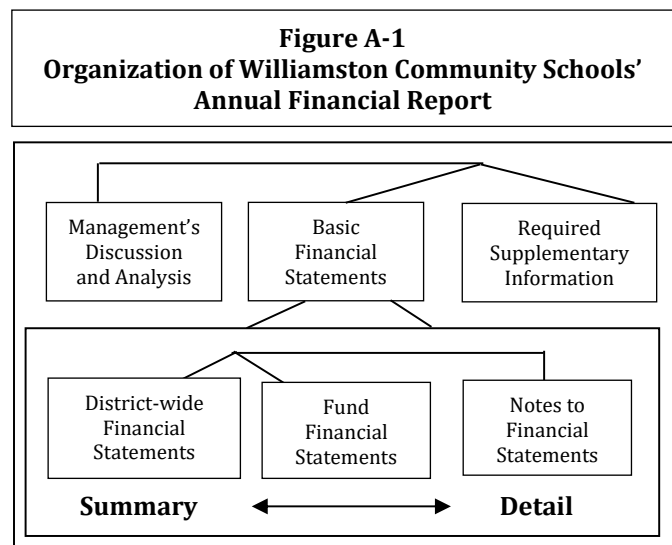
FINANCIAL HIGHLIGHTS

- Governmental funds revenues increased to \$33.5 million compared to \$29.6 million at June 30, 2023. Governmental fund expenditures were \$34.2 million compared to \$33.3 million at June 30, 2023.
- General Fund revenues were \$27.3 million, approximately \$1,696,000 more than General Fund expenditures.
- State Aid Foundation Allowance increased to \$9,150 per student.
- The District’s blended student count increased to 1,873 pupils, an increase of 16 students over last year.
- The District participates in the School Loan Revolving Fund (SLRF) which allows districts to maintain level debt millages throughout the life of a bond. This feature can, however, create a net deficit in the District-wide financials statements in the short term, with future debt millages restoring the net position of the District once the bonded debt is reduced. The District decreased its outstanding long-term obligations \$4.5 million or 10.8%.
- The total taxable value of property in the District increased 5.7%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District’s operations *in more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic services* like regular and special education were financed in the *short-term* as well as what remains for future spending.



MANAGEMENT’S DISCUSSION & ANALYSIS

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-wide and Fund Financial Statements		
Category	District-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.
Required financial statements	<ul style="list-style-type: none"> * Statement of net position * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

MANAGEMENT'S DISCUSSION & ANALYSIS

DISTRICT-WIDE FINANCIAL STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include *all* of the District's assets, deferred outflows, deferred inflows, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets, deferred outflows, deferred inflows and liabilities - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- *Governmental Activities* - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch, community services and student/school activities).

The District has one kind of fund:

- *Governmental Funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position (Deficit) - The District's *combined* net deficit was lower on June 30, 2023, than the year before, decreasing to (\$26.2) million. The District's net deficit results from participating for many years in the School Loan Revolving Fund (SLRF) program as well as recording net unfunded pension liability and net unfunded other postemployment benefits liability. The SLRF allows districts to levy the same debt service property tax millage rate over the life of a bond issue. During the early years of participation in the SLRF, the property tax levy is less than is required for debt service and districts in the program borrow from the SLRF to make up the difference. During the later years of participation, the property tax levy remains level and is greater than is required for debt service. Districts use the excess to pay back the SLRF. The District has been in the SLRF since 2000. It is important to note that the Board of Education has full authority to levy the necessary taxes to meet bond issue debt service requirements.

Table A-3		
Williamston Community Schools Net Position		
	2023	2022
ASSETS		
Current assets	\$ 10,851,883	\$ 12,054,987
Capital assets, net of depreciation/amortization	37,350,858	36,522,749
TOTAL ASSETS	48,202,741	48,577,736
DEFERRED OUTFLOWS OF RESOURCES		
	15,919,574	7,384,297
LIABILITIES		
Current liabilities	7,504,267	8,179,969
Long-term liabilities	32,470,611	36,848,360
Net pension liability	40,031,514	24,660,407
Net other postemployment benefit liability	2,272,502	1,592,298
TOTAL LIABILITIES	82,278,894	71,281,034
DEFERRED INFLOWS OF RESOURCES		
	8,054,337	16,385,382
NET POSITION		
Net investment in capital assets	2,379,980	(2,790,040)
Restricted	975,293	2,151,509
Unrestricted	(29,566,189)	(31,065,852)
TOTAL NET POSITION	\$ (26,210,916)	\$ (31,704,383)

MANAGEMENT’S DISCUSSION & ANALYSIS

Table A-4		
Changes in Williamston Community Schools Net Position		
	<u>2023</u>	<u>2022</u>
REVENUES		
Program revenues		
Charges for service	\$ 1,237,708	\$ 811,121
Operating grants and contributions	7,185,257	5,923,258
General revenues		
Property taxes	6,528,492	6,118,752
State aid-unrestricted	15,330,414	14,452,668
Other	<u>1,965,037</u>	<u>2,028,322</u>
TOTAL REVENUES	<u>32,246,908</u>	<u>29,334,121</u>
EXPENSES		
Instruction	12,931,474	10,339,116
Supporting services	9,034,329	7,745,806
Community services	1,028,370	862,310
Food service	748,459	779,311
Student/school activities	259,270	354,467
Interest on long-term debt	1,174,779	1,283,972
Unallocated depreciation/amortization	<u>1,576,760</u>	<u>1,516,840</u>
TOTAL EXPENSES	<u>26,753,441</u>	<u>22,881,822</u>
Change in net position	<u>\$ 5,493,467</u>	<u>\$ 6,452,299</u>

District Governmental Activities

The District seeks a balance between maximizing resources for the education of our students and maintaining the long-term financial health of the District. The governmental activities mirror that goal. Our support services seek to be efficient at providing the necessary safe, orderly, and positive learning environment so that more dollars are available for the direct instruction of students. Our before-and-after-care program, Kids Corner/Little Hornets, and our school breakfast and lunch program seek to be self-supporting and cost effective.

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$7.8 million. The General Fund's fund balance increased approximately \$1,696,000 to \$5.74 million.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of budget adoption, such as the amount of state aid, the actual number of students and the cost of employee contracts and must be estimated or projected. Over the course of the budget year, the District revises the annual operating budget several times. For fiscal year 2022-2023, these budget amendments included:

- Changes adopted in the third and fourth quarters of the fiscal year to account for final enrollment counts, changes in assumptions since the original budget was adopted.

The District's original budget called for a balanced budget. The budget amendment approved in June of 2023 called for an increase in fund balance of \$678,825. Actual revenues exceeded expenditures by \$1,696,037 at year end. Actual budget variance at year-end June 30, 2023 was approximately 3.95% of expenditures. As of June 30, 2023, the general fund balance reached 21.07% of total revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2023, the District had invested over \$72.7 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation/amortization expense for the year was approximately \$1.6 million.

	2023	2022
Land	\$ 1,506,971	\$ 1,506,971
Buildings and building improvements	63,883,453	62,466,211
Vehicles and equipment	7,371,916	6,384,289
	72,762,340	70,357,471
Accumulated depreciation/amortization	35,411,482	33,834,722
Total	<u>\$ 37,350,858</u>	<u>\$ 36,522,749</u>

MANAGEMENT'S DISCUSSION & ANALYSIS

Long-term Debt

At year-end the District had \$36.8 million in general obligation bonds and other long-term debt outstanding - a net decrease of 10.8% from last year. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

Table A-6				
Williamston Community Schools Outstanding Long-term Debt				
	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
1996 Building and Site Bonds	\$ 3,450,000	\$ -	\$ 1,150,000	\$ 2,300,000
2015 Refunding Series A	8,050,000	-	1,025,000	7,025,000
2019 Refunding	20,950,000	-	1,125,000	19,825,000
2021 Refunding	5,820,000	-	635,000	5,185,000
Installment loans	152,494	-	15,835	136,659
Bus Lease	98,793	-	98,793	-
Michigan School Loan Revolving Fund				
Principal and interest	1,436,818	40,292	313,024	1,164,086
Compensated absences	650,652	-	59,828	590,824
Premium on bond issuances	667,220	-	87,720	579,500
	<u>\$ 41,275,977</u>	<u>\$ 40,292</u>	<u>\$ 4,510,200</u>	<u>\$ 36,806,069</u>

- The District continued to pay down its debt, retiring \$3.94 million of outstanding bonds and paying off approximately \$114,000 of direct borrowings and direct placement obligations.
- The District accrued approximately \$40,000 in interest from the School Loan Revolving Fund while paying down approximately \$313,000 in principal and interest during 2022-2023. This leaves an outstanding SLRF balance of approximately \$1.2 million at year-end.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- All employee contracts were settled as of June 30, 2023. All increases in contract settlements were included in the budget adopted by the board in June 2023.
- The state had not passed its budget for 2023-24 at the time of our budget adoption. Our 2023-24 original budget was adopted using a \$400 per pupil increase and minimal decrease in enrollment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 information, contact the Business Office, Williamston Community Schools, 418 Highland Street, Williamston, Michigan 48895.

BASIC FINANCIAL STATEMENTS

**WILLIAMSTON COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,982,660
Investments	1,066
Receivables	
Accounts receivable	15,529
Intergovernmental	5,390,546
Inventories	39,760
Prepays	422,322
Capital assets not being depreciated/amortized	1,506,971
Capital assets, net of accumulated depreciation/amortization	35,843,887
TOTAL ASSETS	48,202,741
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding, net of amortization	167,288
Related to pensions	12,598,804
Related to other postemployment benefits	3,153,482
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,919,574
LIABILITIES	
Accounts payable	226,347
Accrued salaries and related items	1,176,830
Accrued retirement	778,949
Accrued interest	175,102
Unearned revenue	311,581
Notes payable	500,000
Noncurrent liabilities	
Due within a year	4,335,458
Due in more than one year	32,470,611
Net pension liability	40,031,514
Net other postemployment benefits liability	2,272,502
TOTAL LIABILITIES	82,278,894
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	385,643
Related to state aid funding for pension	2,941,004
Related to other postemployment benefits	4,727,690
TOTAL DEFERRED INFLOWS OF RESOURCES	8,054,337
NET POSITION	
Net investment in capital assets	2,379,980
Restricted for debt service	849,476
Restricted for capital projects sinking fund	52,963
Restricted for community service	125,817
Unrestricted	(29,619,152)
TOTAL NET POSITION	\$ (26,210,916)

See notes to financial statements.

**WILLIAMSTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 12,931,474	\$ 1,970	\$ 6,134,727	\$ (6,794,777)
Supporting services	9,034,329	225,362	336,880	(8,472,087)
Community services	1,028,370	671,859	500	(356,011)
Food service	748,459	338,517	433,041	23,099
Student/school activities	259,270	-	280,109	20,839
Interest on long-term debt	1,174,779	-	-	(1,174,779)
Unallocated depreciation/amortization	1,576,760	-	-	(1,576,760)
Total governmental activities	<u>\$ 26,753,441</u>	<u>\$ 1,237,708</u>	<u>\$ 7,185,257</u>	<u>(18,330,476)</u>
General revenues				
Property taxes, levied for general purposes				1,647,453
Property taxes, levied for community services				372,475
Property taxes, levied for debt service				4,006,557
Property taxes, levied for sinking fund				502,007
State sources - unrestricted				15,330,414
Investment earnings				12,190
Intermediate sources				1,766,141
Other				186,706
Total general revenues				<u>23,823,943</u>
CHANGE IN NET POSITION				5,493,467
NET POSITION, beginning of year				<u>(31,704,383)</u>
NET POSITION, end of year				<u>\$ (26,210,916)</u>

See notes to financial statements.

**WILLIAMSTON COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Capital Projects Sinking Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 4,041,506	\$ 463,672	\$ 110,707	\$ 364,643	\$ 2,132	\$ 4,982,660
Investments	418	-	-	648	-	1,066
Receivables						
Accounts receivable	15,529	-	-	-	-	15,529
Intergovernmental	5,384,938	-	-	-	5,608	5,390,546
Due from other funds	-	-	-	1,976,678	1,097,895	3,074,573
Inventories	26,084	-	-	-	13,676	39,760
Prepays	413,837	3,000	-	-	5,485	422,322
TOTAL ASSETS	\$ 9,882,312	\$ 466,672	\$ 110,707	\$ 2,341,969	\$ 1,124,796	\$ 13,926,456
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Payables						
Accounts payable	\$ 157,936	\$ -	\$ -	\$ -	\$ 68,411	\$ 226,347
Due to other funds	1,223,792	413,709	110,707	1,326,365	-	3,074,573
Accrued salaries	902,013	-	-	-	1,329	903,342
Accrued retirement	778,824	-	-	-	125	778,949
Accrued interest	8,974	-	-	-	-	8,974
Other accrued liabilities	273,261	-	-	-	227	273,488
Unearned revenue	292,887	-	-	-	18,694	311,581
Notes payable	500,000	-	-	-	-	500,000
TOTAL LIABILITIES	4,137,687	413,709	110,707	1,326,365	88,786	6,077,254
FUND BALANCES						
Nonspendable						
Inventories	26,084	-	-	-	13,676	39,760
Prepays	413,837	-	-	-	5,485	419,322
Restricted for:						
Debt service	-	-	-	1,015,604	-	1,015,604
Community services	-	-	-	-	410,804	410,804
Food service	-	-	-	-	245,051	245,051
Capital projects	-	52,963	-	-	-	52,963
Committed for student/school activities	-	-	-	-	360,994	360,994
Unassigned						
General fund	5,304,704	-	-	-	-	5,304,704
TOTAL FUND BALANCES	5,744,625	52,963	-	1,015,604	1,036,010	7,849,202
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,882,312	\$ 466,672	\$ 110,707	\$ 2,341,969	\$ 1,124,796	\$ 13,926,456

See notes to financial statements.

**WILLIAMSTON COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2023**

Total Governmental Fund Balances \$ 7,849,202

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 are not reported in the funds.

The cost of the capital assets is	\$ 72,762,340	
Accumulated depreciation/amortization is	<u>(35,411,482)</u>	
		37,350,858

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred outflows of resources - deferred charge on refunding, net of amortization	167,288
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Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Pension/OPEB contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and the differences between projected and actual plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources - related to pensions	12,598,804
Deferred outflows of resources - related to other postemployment benefits	3,153,482
Deferred inflows of resources - related to pensions	(385,643)
Deferred inflows of resources - related to other postemployment benefits	(4,727,690)
Deferred inflows of resources - related to state pension funding	(2,941,004)

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

Bonds payable and notes from direct borrowing and direct placements	(36,215,245)
Compensated absences and severance benefits	(590,824)
Accrued interest on long-term obligations is not included as a liability in governmental funds, it is recorded when paid	(166,128)
Net pension liability	(40,031,514)
Net other postemployment benefits liability	<u>(2,272,502)</u>

Net Position of Governmental Activities \$ (26,210,916)

See notes to financial statements.

**WILLIAMSTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	General Fund	Capital Projects Sinking Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
REVENUES						
Local sources						
Property taxes	\$ 1,647,453	\$ 502,007	\$ -	\$ 4,006,557	\$ 372,475	\$ 6,528,492
Tuition	470,095	-	-	-	-	470,095
Investment earnings	17	792	1,433	9,633	315	12,190
Food sales, athletics, and community service	145,886	-	-	-	542,751	688,637
Student/school activities	-	-	-	-	280,109	280,109
Other	275,369	-	-	-	-	275,369
Total local sources	2,538,820	502,799	1,433	4,016,190	1,195,650	8,254,892
State sources	20,897,220	4,729	-	37,741	74,262	21,013,952
Federal sources	2,068,199	-	-	-	428,938	2,497,137
Intermediate sources	1,766,141	-	-	-	-	1,766,141
TOTAL REVENUES	27,270,380	507,528	1,433	4,053,931	1,698,850	33,532,122
EXPENDITURES						
Current						
Instruction	14,473,331	-	-	-	-	14,473,331
Supporting services	9,984,471	-	-	-	-	9,984,471
Community services	655,560	-	-	-	561,309	1,216,869
Food service	-	-	-	-	1,044,523	1,044,523
Student/school activities	-	-	-	-	259,270	259,270
Capital outlay	372,540	411,294	912,980	-	-	1,696,814
Debt service						
Principal retirement	114,628	-	-	4,226,061	-	4,340,689
Interest, fiscal, and other charges	5,813	-	-	1,151,887	-	1,157,700
TOTAL EXPENDITURES	25,606,343	411,294	912,980	5,377,948	1,865,102	34,173,667
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,664,037	96,234	(911,547)	(1,324,017)	(166,252)	(641,545)
OTHER FINANCING SOURCES (USES)						
Transfers in	32,000	-	-	-	-	32,000
Transfers out	-	-	-	-	(32,000)	(32,000)
TOTAL OTHER FINANCING SOURCES (USES)	32,000	-	-	-	(32,000)	-
NET CHANGE IN FUND BALANCES	1,696,037	96,234	(911,547)	(1,324,017)	(198,252)	(641,545)
FUND BALANCES (DEFICITS)						
Beginning of year	4,048,588	(43,271)	911,547	2,339,621	1,234,262	8,490,747
End of year	\$ 5,744,625	\$ 52,963	\$ -	\$ 1,015,604	\$ 1,036,010	\$ 7,849,202

See notes to financial statements.

**WILLIAMSTON COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (641,545)

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization.

Depreciation/amortization expense	(1,576,760)
Capital outlay	2,404,869

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.

Accrued interest payable, beginning of the year	188,112
Accrued interest payable, end of the year	(166,128)

The issuance of long-term debt (e.g., bonds) provides current financial resources to any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and

School loan revolving fund issuance	(40,292)
Payments on debt	4,340,689
Amortization of deferred charge on refunding	(23,898)
Amortization of bond premium	87,720
Payment on school loan revolving fund interest	21,963

Compensated absences and severance benefits are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds.

Accrued compensated absences, beginning of the year	650,652
Accrued compensated absences, end of the year	(590,824)

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 governmental funds.

Pension related items	298,030
Other postemployment benefit items	1,826,093

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefits contributions subsequent to the measurement period.

Change in state aid funding for pension benefits	(1,285,214)
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Change in Net Position of Governmental Activities \$ 5,493,467

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Williamston Community Schools (the "District") is governed by the Williamston Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Description of Government-wide 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 activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category - governmental - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 required to be accounted for in another fund.

The *Capital Projects Sinking Fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

The *Capital Projects Fund* accounts for the transfers from the general fund for the acquisition of capital assets or construction of major capital projects.

The *Debt Service Fund* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Nonmajor Funds:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, community service activities and student/school activities in special revenue funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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.

The 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 District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Property taxes, state and federal aid, 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as intergovernmental receivables.

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2023. The District does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

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

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Investments (continued)

- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses 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 the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported 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 one year. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	50 years
Equipment	5-20 years
Vehicles	8 years

Defined Benefit Plans

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

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Outflows

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

Deferred Inflows

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

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

In the computation of invested in capital assets, net of related debt, the school loan revolving fund principal balance of \$1,130,107 are considered capital-related debt. Accrued interest on the school bond revolving fund of \$33,979 is not considered capital related debt.

In addition, during the years ended June 30, 2020 and June 30, 2022 the District issued bonded debt in the amount of \$20,950,000 and \$5,820,000 used to make principal and interest payments related to the School Loan Revolving fund and the School Bond Loan Fund. 5% and 1% of these proceeds are not considered capital-related debt as this amount was used to pay off accrued interest. The remaining allocation of this debt not considered capital related debt at June 30, 2023 is \$1,043,100.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a Board Action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the Board Action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 5% of the preceding year's expenditures.

Leases and Subscription-based IT Arrangements (SBITA)

Lessee: The District may at times be a lessee for a noncancelable lease/subscription of an IT arrangement. The District recognizes a lease/SBITA liability and an intangible right-to-use asset in the government-wide financial statements.

At the commencement of a lease/subscription, the District initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized on a straight-line basis over its useful life.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Leases and Subscription-based IT Arrangements (SBITA)(continued)

Key estimates and judgements related to leases/SBITAs include how the District determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *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 requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. 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.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

For the year ended June 30, 2023, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	17.7702
Commercial Personal Property	5.7702
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	7.8400
Sinking fund	
PRE, Non-PRE, Commercial Personal Property	0.9825
Community services fund	
PRE, Non-PRE, Commercial Personal Property	0.7288

Compensated Absences and Severance Benefits

The District’s policy permits employees to accumulate earned but unused vacation and sick leave and severance benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee leaves, resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt 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 debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023 the District had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2023, \$4,983,198 of the District’s bank balance of \$5,233,198 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$4,982,660.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment pool - CMC	\$ 108	N/A
MILAF External Investment pool - MAX	958	N/A
Total fair value	\$ 1,066	
Portfolio weighted average maturity		N/A

Concentration of Credit Risk

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

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment pool - CMC	\$ 108	AAAm	Standard & Poor's
MILAF External Investment pool - MAX	958	AAAm	Standard & Poor's
	\$ 1,066		

Foreign Currency Risk

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

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

The District’s investments are not subject to fair value reporting.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment pool - CMC	\$ 108
MILAF External Investment pool - MAX	958
Total amortized cost	\$ 1,066

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

The following summarizes the categorization of these amounts in the financial statements as of June 30, 2023:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 4,982,660
Investments	<u>1,066</u>
	<u>\$ 4,983,726</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2023 consist of the following:

State aid - Michigan Department of Education	\$ 3,782,706
Federal	<u>1,607,840</u>
	<u>\$ 5,390,546</u>

Amounts due from other governmental units include amounts due from federal, state, and local sources for various projects and programs. No allowance for doubtful accounts is considered necessary.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2022	Reclassifications/ Additions	Reclassifications/ Deletions	Balance June 30, 2023
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,506,971	\$ -	\$ -	\$ 1,506,971
Total capital assets not being depreciated	1,506,971	-	-	1,506,971
Capital assets, being depreciated				
Buildings and building improvements	62,466,211	1,417,242	-	63,883,453
Vehicles and equipment	6,384,289	987,627	-	7,371,916
Total capital assets, being depreciated	68,850,500	2,404,869	-	71,255,369
Accumulated depreciation				
Buildings and building improvements	28,699,081	1,237,514	-	29,936,595
Vehicles and equipment	5,135,641	339,246	-	5,474,887
Total accumulated depreciation	33,834,722	1,576,760	-	35,411,482
Net capital assets being depreciated	35,015,778	828,109	-	35,843,887
Net governmental capital assets	\$ 36,522,749	\$ 828,109	\$ -	\$ 37,350,858

Depreciation for the fiscal year ended June 30, 2023 amounted to \$1,576,760. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTES

During the current year, the District issued state aid anticipation notes payable in the amount of \$2,500,000 and with an interest rates of 1.97% and maturity dates through August 20, 2023. Proceeds of the notes were used to fund school operations. The notes are secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the notes, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. One note requires payments to an irrevocable set-aside account for principal and accrued interest at June 30, 2023. At year end, the balance of these payments in the amount of \$2,000,000 is considered defeased debt and is not included in the year-end balance. Activity for the year ended June 30, 2023 is as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
\$ 500,000	\$ 2,500,000	\$ 2,500,000	\$ 500,000

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2023:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements		Compensated Absences and Severance Benefits	Total
		Installment Loans	School Loan Revolving Fund		
Balance July 1, 2022	\$ 38,937,220	\$ 251,287	\$ 1,436,818	\$ 650,652	\$ 41,275,977
Additions	-	-	40,292	-	40,292
Deletions	(4,022,720)	(114,628)	(313,024)	(59,828)	(4,510,200)
Balance June 30, 2023	34,914,500	136,659	1,164,086	590,824	36,806,069
Due within one year	(4,260,000)	(16,376)	-	(59,082)	(4,335,458)
Due in more than one year	<u>\$ 30,654,500</u>	<u>\$ 120,283</u>	<u>\$ 1,164,086</u>	<u>\$ 531,742</u>	<u>\$ 32,470,611</u>

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2023 is comprised of the following issues:

General Obligation Bonds

\$27,535,000 School Building and Site Bonds dated January 1, 1996, due in annual installments of \$1,150,000 through May 1, 2025 with interest of 5.50%, payable semi-annually.	\$ 2,300,000
\$14,690,000 Refunding Bond, Series A dated September 29, 2015, due in annual installments ranging from \$1,000,000 to \$1,025,000 through May 1, 2030 with interest ranging from 3.00% to 5.00%, payable semi-annually.	7,025,000
\$20,950,000 Refunding Bond, dated November 19, 2019, due in an annual installments ranging from \$1,425,000 to \$3,555,000 through May 1, 2030 with an interest ranging from 2.276% to 2.744%, payable semi-annually.	19,825,000
\$5,820,000 Refunding Bond, dated July 28, 2021, due in an annual installments ranging from \$660,000 to \$820,000 through May 1, 2030 with an interest ranging from 0.70% to 1.98%, payable semi-annually.	5,185,000
Plus premium on bond issuances	<u>579,500</u>
Total general obligation bonds	<u>34,914,500</u>

Notes from Direct Borrowings and Direct Placements

Borrowings from the State of Michigan under the School Loan Revolving Fund, including interest at 4.11% at June 30, 2023.	1,164,086
\$177,500 installment note dated October 8, 2020, due in monthly installments of \$1,796, including interest of 0.33%, through October 2030.	<u>136,659</u>
Total notes from direct borrowings and direct placements	<u>1,300,745</u>
Total general obligation bonds and notes from direct borrowings and direct placements	36,215,245
Obligation under contract for compensated absences and severance benefits	<u>590,824</u>
Total general long-term obligations	<u><u>\$ 36,806,069</u></u>

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$136,659 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The District previously defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2023, \$7,000,000 of bonds outstanding are considered defeased.

Borrowing from the State of Michigan - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30, 2023 was 4.11%. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.84 mills. The school district is required to levy 7.84 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 7.84 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

The annual requirements to amortize long-term obligations outstanding as of June 30, 2023, including interest are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences and Severance Benefits	Total
	Principal	Interest	Principal	Interest		
2024	\$ 4,260,000	\$ 980,553	\$ 16,376	\$ 5,172	\$ -	\$ 5,262,101
2025	4,560,000	834,714	17,043	4,505	-	5,416,262
2026	4,835,000	664,364	17,738	3,811	-	5,520,913
2027	4,955,000	544,504	18,460	3,088	-	5,521,052
2028	5,100,000	397,710	19,213	3,088	-	5,520,011
2029-2030	10,625,000	344,817	47,829	2,351	-	11,019,997
Total	34,335,000	3,766,662	136,659	22,015	-	38,260,336
Issuance premium	579,500	-	-	-	-	579,500
School loan revolving fund	-	-	1,130,107	33,979	-	1,164,086
Compensated absences and severance benefits	-	-	-	-	590,824	590,824
	<u>\$ 34,914,500</u>	<u>\$ 3,766,662</u>	<u>\$ 1,266,766</u>	<u>\$ 55,994</u>	<u>\$ 590,824</u>	<u>\$ 40,594,746</u>

Interest expense for all funds for the year ended June 30, 2023 was approximately \$1,158,000.

At June 30, 2023, \$1,015,604 is available in the debt service funds to service the general obligation debt.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund payable and receivable balances at June 30, 2023 are as follows:

Receivable Fund		Payable Fund	
Debt service fund	\$ 1,976,678	General fund	\$ 1,223,792
Nonmajor governmental funds	1,097,895	Capital projects sinking fund	413,709
	#NAME?	Capital projects fund	110,707
		Debt service fund	1,326,365
			\$ 3,074,573

The outstanding balances between funds result mainly 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.

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated. During the year ended June 30, 2023, the food service fund transferred \$32,000 to the general fund for indirect costs.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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

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

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age) (continued)

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2022, were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019, are amortized over a 17-year period beginning October 1, 2010 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$5,165,000. Of the total pension contributions approximately \$4,984,000 was contributed to fund the Defined Benefit Plan and approximately \$181,000 was contributed to fund the Defined Contribution Plan.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$1,003,000. Of the total OPEB contributions approximately \$905,000 was contributed to fund the Defined Benefit Plan and approximately \$98,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total Pension Liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan Fiduciary Net Position	\$ 58,268,076,344	\$ 62,717,060,920
Net Pension Liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate Share	0.10644%	0.10416%
Net Pension Liability for the District	\$ 40,031,514	\$ 24,660,407

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2023, the District recognized pension expense of \$4,685,616.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 524,729	\$ 296,137
Differences between expected and actual experience	400,455	89,506
Changes of assumptions	6,878,849	-
Net differences between projected and actual earnings on pension plan investments	93,874	-
Reporting Unit's contributions subsequent to the measurement date	4,700,897	-
	\$ 12,598,804	\$ 385,643

\$4,700,897, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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 September 30,	Amount
2023	\$ 2,104,892
2024	1,604,715
2025	1,443,281
2026	2,359,376

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total Other Postemployment Benefit Liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan Fiduciary Net Position	\$ 10,404,650,683	\$ 10,520,015,621
Net Other Postemployment Benefit Liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate Share	0.10729%	0.10432%
Net Other Postemployment Benefit Liability for the District	\$ 2,272,502	\$ 1,592,298

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

For the year ended June 30, 2023, the District recognized OPEB benefit of \$921,022.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 2,025,554	\$ 164,932
Changes in proportion and differences between employer contributions and proportionate share of contributions	162,709	111,797
Differences between expected and actual experience	-	4,450,961
Net differences between projected and actual earnings on OPEB plan investments	177,614	-
Reporting Unit's contributions subsequent to the measurement date	<u>787,605</u>	<u>-</u>
	<u>\$ 3,153,482</u>	<u>\$ 4,727,690</u>

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

\$787,605, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ended September 30,	Amount
2023	\$ (873,447)
2024	(752,774)
2025	(682,056)
2026	(44,770)
2027	(15,536)
2028	6,770

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018, valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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

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

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

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity Pools	15.0%	6.7%
Fixed Income Pools	13.0%	-0.2%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real return / Opportunistic Pools	10.0%	5.8%
Short Term Investment Pools	2.0%	-0.5%
	<u>100.0%</u>	

*Long term rate of return are net of administrative expenses and 2.2% inflation.

Rate of Return - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit'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 than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 52,826,727	\$ 40,031,514	\$ 29,487,683

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 3,811,904	\$ 2,272,502	\$ 976,135

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Trend Decrease	Current	1% Trend Increase
		Healthcare Cost Trend Rates	
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 951,615	\$ 2,272,502	\$ 3,755,224

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2022 Annual Comprehensive Financial Report.

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

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler and machine, property, fleet, liability, in-land marine, data breach, terrorism and school violent acts, employee dishonesty, crime, and error and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required in any of the past three fiscal years.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required in any of the past three fiscal years.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*).

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by one township and one city. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
Williamston City	<u>\$ 63,815</u>

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's Section 22 funding of the State School Aid Act.

There are no abatements made by the District.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the District's financial statement after the adoption of GASB Statement No. 96.

REQUIRED SUPPLEMENTARY INFORMATION

**WILLIAMSTON COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 2,288,460	\$ 2,350,913	\$ 2,538,820	\$ 187,907
State sources	18,880,671	20,775,136	20,897,220	122,084
Federal sources	585,126	1,993,506	2,068,199	74,693
Intermediate sources	1,707,000	1,809,120	1,766,141	(42,979)
TOTAL REVENUES	23,461,257	26,928,675	27,270,380	341,705
EXPENDITURES				
Current				
Instruction				
Basic programs	10,883,301	11,634,073	11,658,047	(23,974)
Added needs	2,453,805	2,723,565	2,812,084	(88,519)
Adult and continuing education	10,437	10,437	3,200	7,237
Total instruction	13,347,543	14,368,075	14,473,331	(105,256)
Supporting services				
Pupil	1,763,628	1,955,858	1,876,034	79,824
Instructional staff	1,171,953	1,560,682	1,261,407	299,275
General administration	455,982	581,324	509,435	71,889
School administration	1,421,865	1,665,835	1,658,402	7,433
Business administration	4,213,915	5,001,175	4,679,193	321,982
Total supporting services	9,027,343	10,764,874	9,984,471	780,403
Community services	393,805	649,962	655,560	(5,598)
Capital outlay	567,409	372,540	372,540	-
Debt service				
Principal repayment	118,327	87,569	114,628	(27,059)
Interest	6,830	6,830	5,813	1,017
Total debt service	125,157	94,399	120,441	(26,042)
TOTAL EXPENDITURES	23,461,257	26,249,850	25,606,343	669,549
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	678,825	1,664,037	1,011,254
OTHER FINANCING SOURCES				
Transfers in	-	-	32,000	32,000
NET CHANGE IN FUND BALANCE	\$ -	\$ 678,825	1,696,037	\$ 1,011,254
FUND BALANCE				
Beginning of year			4,048,588	
End of year			<u>\$ 5,744,625</u>	

**WILLIAMSTON COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's share of net pension liability (%)	0.10644%	0.10416%	0.10546%	0.10581%	0.10682%	0.10846%	0.10999%	0.10690%	0.10794%
Reporting Unit's proportionate share of net pension liability	\$ 40,031,514	\$ 24,660,407	\$ 36,225,616	\$ 35,040,864	\$ 32,110,647	\$ 28,106,439	\$ 27,441,253	\$ 26,110,017	\$ 23,775,595
Reporting Unit's covered-employee payroll	\$ 10,522,812	\$ 9,465,285	\$ 9,434,712	\$ 9,272,788	\$ 9,006,482	\$ 8,978,139	\$ 9,365,460	\$ 8,794,354	\$ 8,935,799
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	380.43%	260.54%	383.96%	377.89%	356.53%	313.05%	293.00%	296.90%	266.07%
Plan fiduciary net position as a percentage of total pension liability (Non-university employees)	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

**WILLIAMSTON COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 4,983,646	\$ 3,477,004	\$ 3,032,589	\$ 2,984,220	\$ 2,948,780	\$ 2,936,701	\$ 2,566,667	\$ 2,369,641	\$ 1,809,441
Contributions in relation to statutorily required contributions	<u>4,983,646</u>	<u>3,477,004</u>	<u>3,032,589</u>	<u>2,984,220</u>	<u>2,948,780</u>	<u>2,936,701</u>	<u>2,566,667</u>	<u>2,369,641</u>	<u>1,809,441</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 11,489,367	\$ 10,271,307	\$ 9,340,337	\$ 9,373,384	\$ 9,196,160	\$ 8,991,915	\$ 9,037,853	\$ 8,953,645	\$ 8,775,957
Contributions as a percentage of covered-employee payroll	43.38%	33.85%	32.47%	31.84%	32.07%	32.66%	28.40%	26.47%	20.62%

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

**WILLIAMSTON COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.10729%	0.10432%	0.10556%	0.10600%	0.10587%	0.10863%
Reporting Unit's proportionate share of net other postemployment benefits liability	\$ 2,272,502	\$ 1,592,298	\$ 5,654,923	\$ 7,608,304	\$ 8,415,702	\$ 9,619,784
Reporting Unit's covered-employee payroll	\$ 10,522,812	\$ 9,465,285	\$ 9,434,712	\$ 9,272,788	\$ 9,006,482	\$ 8,978,139
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	21.60%	16.82%	59.94%	82.05%	93.47%	107.15%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employees)	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

**WILLIAMSTON COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 905,071	\$ 810,054	\$ 791,361	\$ 807,493	\$ 848,880	\$ 708,795
Contributions in relation to statutorily required contributions	<u>905,071</u>	<u>810,054</u>	<u>791,361</u>	<u>807,493</u>	<u>848,880</u>	<u>708,795</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 11,489,367	\$ 10,271,307	\$ 9,340,337	\$ 9,373,384	\$ 9,196,160	\$ 8,991,915
Contributions as a percentage of covered-employee payroll	7.88%	7.89%	8.47%	8.61%	9.23%	7.88%

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

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

ADDITIONAL SUPPLEMENTARY INFORMATION

**WILLIAMSTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2023**

	Special Revenue			Total Nonmajor Funds
	Food Service	Student/School Activities	Community Services	
ASSETS				
Cash and cash equivalents	\$ 406	\$ 1,726	\$ -	\$ 2,132
Receivables				
Intergovernmental	5,608	-	-	5,608
Due from other funds	326,396	359,340	412,159	1,097,895
Inventories	13,676	-	-	13,676
Prepays	5,485	-	-	5,485
	<u>351,571</u>	<u>361,066</u>	<u>412,159</u>	<u>1,124,796</u>
TOTAL ASSETS	\$ 351,571	\$ 361,066	\$ 412,159	\$ 1,124,796
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 67,410	\$ 72	\$ 929	\$ 68,411
Accrued salaries	1,049	-	280	1,329
Accrued retirement	-	-	125	125
Other accrued liabilities	206	-	21	227
Unearned revenue	18,694	-	-	18,694
	<u>87,359</u>	<u>72</u>	<u>1,355</u>	<u>88,786</u>
TOTAL LIABILITIES	87,359	72	1,355	88,786
FUND BALANCES				
Nonspendable				
Inventories	13,676	-	-	13,676
Prepays	5,485	-	-	5,485
Restricted for:				
Community services	-	-	410,804	410,804
Food service	245,051	-	-	245,051
Committed for student/school activities	-	360,994	-	360,994
	<u>264,212</u>	<u>360,994</u>	<u>410,804</u>	<u>1,036,010</u>
TOTAL FUND BALANCES	264,212	360,994	410,804	1,036,010
TOTAL LIABILITIES AND FUND BALANCES	\$ 351,571	\$ 361,066	\$ 412,159	\$ 1,124,796

**WILLIAMSTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2023**

	Special Revenue			Total Nonmajor Funds
	Food Service	Student/School Activities	Community Services	
REVENUES				
Local sources				
Property taxes	\$ -	\$ -	\$ 372,475	\$ 372,475
Investment earnings	315	-	-	315
Community service activities	-	-	204,234	204,234
Student/school activities	-	280,109	-	280,109
Food sales	338,517	-	-	338,517
Total local sources	338,832	280,109	576,709	1,195,650
State sources	70,808	-	3,454	74,262
Federal sources	428,938	-	-	428,938
TOTAL REVENUES	838,578	280,109	580,163	1,698,850
EXPENDITURES				
Current				
Food service activities	1,044,523	-	-	1,044,523
Community services	-	-	561,309	561,309
Student/school activities	-	259,270	-	259,270
TOTAL EXPENDITURES	1,044,523	259,270	561,309	1,865,102
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(205,945)	20,839	18,854	(166,252)
OTHER FINANCING SOURCES (USES)				
Transfers out	(32,000)	-	-	(32,000)
TOTAL OTHER FINANCING SOURCES (USES)	(32,000)	-	-	(32,000)
NET CHANGE IN FUND BALANCES	(237,945)	20,839	18,854	(198,252)
FUND BALANCES				
Beginning of year	502,157	340,155	391,950	1,234,262
End of year	\$ 264,212	\$ 360,994	\$ 410,804	\$ 1,036,010

**WILLIAMSTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued Revenue July 1, 2022	Prior Year Expenditures (memo only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued Revenue June 30, 2023
<u>U.S. Department of Agriculture</u>									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-Cash Assistance (Donated Foods)									
National School Lunch Program									
Entitlement	10.555	N/A	\$ 35,402	\$ -	\$ -	\$ -	\$ 35,402	\$ 35,402	\$ -
Bonus		N/A	5,404	-	-	-	5,404	5,404	-
Total non-cash assistance			40,806	-	-	-	40,806	40,806	-
Cash Assistance									
National School Lunch Program	10.555	220910	45,830	-	-	-	45,830	45,830	-
National School Lunch Program		230910	20,875	-	-	-	20,875	20,875	-
National School Lunch Program		221960	32,821	-	-	-	32,821	32,821	-
National School Lunch Program		231960	252,653	-	-	-	252,653	252,653	-
			352,179	-	-	-	352,179	352,179	-
Total ALN 10.555			392,985	-	-	-	392,985	392,985	-
National School Breakfast Program	10.553	221970	3,497	-	-	-	3,497	3,497	-
National School Breakfast Program		231970	31,828	-	-	-	31,828	31,828	-
Total ALN 10.553			35,325	-	-	-	35,325	35,325	-
Total cash assistance			387,504	-	-	-	387,504	387,504	-
Total Child Nutrition Cluster			428,310	-	-	-	428,310	428,310	-
Pandemic EBT Local Level Costs	10.649	220980	628	-	-	-	628	628	-
Total U.S. Department of Agriculture			428,938	-	-	-	428,938	428,938	-

The accompanying notes are an integral part of this schedule.

WILLIAMSTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued Revenue July 1, 2022	Prior Year Expenditures (memo only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued Revenue June 30, 2023
<u>U.S. Department of Education</u>									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	221530-2122	\$ 117,985	\$ 117,985	\$ 117,985	\$ -	\$ -	\$ 117,985	\$ -
Title I Grants to Local Educational Agencies		231530-2223	58,603	-	-	-	58,603	-	58,603
Total ALN 84.010			176,588	117,985	117,985	-	58,603	117,985	58,603
Supporting Effective Instruction State Grants	84.367	220520-2122	31,796	31,796	31,796	-	-	31,796	-
Supporting Effective Instruction State Grants		230520-2223	28,269	-	-	-	28,269	-	28,269
Total ALN 84.367			60,065	31,796	31,796	-	28,269	31,796	28,269
Student Support and Academic Enrichment Program	84.424	220750-2122	10,000	10,000	-	-	-	10,000	-
Student Support and Academic Enrichment Program		230750-2223	10,000	-	-	-	10,000	-	10,000
Total ALN 84.424			20,000	10,000	-	-	10,000	10,000	10,000
<u>Education Stabilization Fund</u>									
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	416,629	-	181,651	-	234,978	-	234,978
COVID-19 Elementary and Secondary School Emergency Relief Fund (98c Formula Funds)	84.425D	213782-2223	96,021	-	-	-	96,021	-	96,021
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III ARP Funds)	84.425U	213713-2122	936,354	257,698	257,698	-	395,332	257,698	395,332
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Section 11t Funds)	84.425U	213723-2122	1,128,695	5,505	5,505	-	576,340	5,505	576,340
Total ALN 84.425			2,577,699	263,203	444,854	-	1,302,671	263,203	1,302,671

The accompanying notes are an integral part of this schedule.

**WILLIAMSTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued Revenue July 1, 2022	Prior Year Expenditures (memo only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued Revenue June 30, 2023
<u>U.S. Department of Education (continued)</u>									
Passed through Ingham Intermediate School District									
Special Education Cluster									
Special Education Grants to States	84.027	210450-2021	\$ 15,297	\$ 14,195	\$ 14,195	-	\$ 1,102	\$ 15,297	\$ -
Special Education Grants to States		220450-2022	9,382	-	-	-	8,280	-	8,280
Total ALN 84.027			24,679	14,195	14,195	-	9,382	15,297	8,280
Special Education Preschool Grants	84.173	220460-2022	11,302	11,302	11,302	-	-	11,302	-
Special Education Preschool Grants		230460-2023	15,980	-	-	-	15,980	-	15,980
COVID-19 IDEA Preschool ARP	84.173X	221285-2122	29,902	-	-	-	25,376	-	25,376
Total ALN 84.173			57,184	11,302	11,302	-	41,356	11,302	41,356
Total Special Education Cluster and passed through Ingham Intermediate School District			81,863	25,497	25,497	-	50,738	26,599	49,636
Total U.S. Department of Education			2,916,215	448,481	620,132	-	1,450,281	449,583	1,449,179
<u>U.S. Department of Health and Human Services</u>									
Passed through Ingham Intermediate School District									
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	222810-HRA2022	92,188	92,188	92,188	-	-	92,188	-
		232810-HRA2023	224,000	-	-	-	224,000	65,339	158,661
Total ALN 93.323			316,188	92,188	92,188	-	224,000	157,527	158,661
Medicaid Cluster									
Medical Assistance Program	93.778	N/A	11,842	-	-	-	11,842	11,842	-
Total U.S. Department of Health and Human Services			328,030	92,188	92,188	-	235,842	169,369	158,661
<u>Federal Communications Commission</u>									
Direct Program									
COVID-19 Emergency Connectivity Funds	32.009	N/A	129,564	117,687	124,287	(3,701)	-	113,986	-
Total ALN 32.009			129,564	117,687	124,287	(3,701)	-	113,986	-
TOTAL FEDERAL AWARDS			\$ 3,802,747	\$ 658,356	\$ 836,607	\$ (3,701)	\$ 2,115,061	\$ 1,161,876	\$ 1,607,840

The accompanying notes are an integral part of this schedule.

**WILLIAMSTON COMMUNITY SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Williamston Community Schools under programs of the federal government for the year ended June 30, 2023. 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 Williamston Community Schools, it is not intended to and does not present the financial position or changes in net position of Williamston Community Schools.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) 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. Williamston Community Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass-through federal funds.

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 2,068,199
Other nonmajor governmental funds	<u>428,938</u>
Total per financial statements	2,497,137
Less federal assistance funding not subject to single audit act	<u>(385,778)</u>
Total expenditures reported on the schedule of expenditures of federal awards	<u><u>\$ 2,115,061</u></u>

NOTE 4 - ADJUSTMENTS

Adjustments were made for Assistance Listing #32.009 (\$3,701) for prior year accrued revenue that was not received.



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

To the Board of Education of
Williamston Community Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williamston Community Schools as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Williamston Community Schools' basic financial statements and have issued our report thereon dated October 20, 2023.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

October 20, 2023



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

To the Board of Education of
Williamston Community Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Williamston Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Williamston Community Schools' major federal programs for the year ended June 30, 2023. Williamston Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Williamston Community Schools 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, 2023.

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; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Williamston Community Schools 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 Williamston Community Schools' 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 Williamston Community Schools' federal programs.

Auditor's 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 Williamston Community Schools' 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 generally accepted auditing standards, *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 Williamston Community Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Williamston Community Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Williamston Community Schools' 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 Williamston Community Schools' 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 a 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 Auditor's 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, as discussed above, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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.

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.

Maney Costeiran PC

October 20, 2023

**WILLIAMSTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X None reported

Noncompliance material to financial statements noted? ___ Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? ___ Yes X None

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425	Education Stablization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? X Yes ___ No

Section II - Financial Statement Findings

None noted

Section III - Federal Award Findings and Questioned Costs

None noted

**WILLIAMSTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

Federal Award Findings and Questioned Costs

Finding 2022-001: Considered to be a significant deficiency in internal control over compliance.

Criteria: The District's fund balance in the food service fund is required to be less than three months of food service expenditures.

Condition: Williamston Community Schools currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during the 2022-2023 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess fund balance cannot be transferred to the general fund.

Cause: The District participated in the seamless summer option meal reimbursement program causing a larger than normal increase in the food service fund balance.

Effect: At June 30, 2022, the District's food service fund balance was greater than three months of expenditures.

Recommendation: The District should implement a budget, as well as the required corrective action plan, for the 2022-2023 school year that will adequately reduce the food service fund balance.

District's Response: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Status: Michigan Department of Education is no longer requesting excess fund balances to be reported as a finding. Michigan Department of Education is requesting that auditors inform the District via a management comment in the management letter instead.



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October 20, 2023

To the Board of Education of
Williamston Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williamston Community Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Williamston Community Schools are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based IT Arrangements*, during the year ended June 30, 2023. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the Williamston Community Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, except for the capitalization of a previous year bus purchase that was financed with a note payable at the government wide level.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Maney Costeiran PC