

SUMMERFIELD
SCHOOLS



Year Ended
June 30, 2022

Financial
Statements and
Single Audit Act
Compliance

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SUMMERFIELD SCHOOLS

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund	22
Technology Special Revenue Fund	23
Notes to Financial Statements	25
Required Supplementary Information	
MPSERS Cost-Sharing Multiple-Employer Plan:	
Schedule of the District's Proportionate Share of the Net Pension Liability	52
Schedule of the District's Pension Contributions	54
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability	56
Schedule of the District's Other Postemployment Benefit Contributions	57
Notes to Required Supplementary Information	58
Combining Fund Financial Statements	
Combining Balance Sheet – Nonmajor Governmental Funds	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	62

SUMMERFIELD SCHOOLS

Table of Contents

	<u>Page</u>
Single Audit Act Compliance	
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	67
Schedule of Expenditures of Federal Awards	70
Notes to Schedule of Expenditures of Federal Awards	74
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77
Independent Auditors' Report on Compliance for the Major Federal Program and Internal Control over Compliance Required by the Uniform Guidance	79
Schedule of Findings and Questioned Costs	81
Summary Schedule of Prior Audit Findings	83



INDEPENDENT AUDITORS' REPORT

October 21, 2022

Board of Education
Summerfield Schools
Petersburg, Michigan

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position thereof and the budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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



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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMERFIELD SCHOOLS

Management's Discussion and Analysis

As management of Summerfield Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2022.

Financial Highlights

· Total net position	\$ (8,993,084)
· Change in total net position	1,583,804
· Fund balances, governmental funds	2,406,836
· Change in fund balances, governmental funds	567,888
· Unassigned fund balance, general fund	1,034,469
· Change in fund balance, general fund	559,149
· General obligation bonds outstanding	4,180,000
· Change in general obligation bonds outstanding	(305,000)

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual balance reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

SUMMERFIELD SCHOOLS

Management's Discussion and Analysis

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The District maintains various individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of fund revenues, expenditures, and changes in fund balances for the general fund and the technology special revenue fund, the District's major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements following the required supplementary information.

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary consisting of this management's discussion and analysis and the schedules for the Michigan Public Schools Employees' Retirement System pension and other postemployment benefit plans immediately following the notes to the financial statements. Also, the combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the pension and other postemployment benefit plans schedules.

SUMMERFIELD SCHOOLS

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,993,084 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, machinery and equipment, and leased equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	2022	2021
Current and other assets	\$ 3,411,787	\$ 2,773,016
Capital assets, net	4,367,562	4,604,243
Total assets	<u>7,779,349</u>	<u>7,377,259</u>
Deferred outflows of resources	<u>2,529,633</u>	<u>3,603,005</u>
Long-term debt	4,355,474	4,692,229
Other liabilities	9,792,029	15,095,851
Total liabilities	<u>14,147,503</u>	<u>19,788,080</u>
Deferred inflows of resources	<u>5,154,563</u>	<u>1,769,072</u>
Net position:		
Net investment in capital assets	54,342	15,950
Restricted	730,850	669,917
Unrestricted (deficit)	<u>(9,778,276)</u>	<u>(11,262,755)</u>
Total net position	<u>\$ (8,993,084)</u>	<u>\$ (10,576,888)</u>

\$730,850 of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position, which has a negative balance.

SUMMERFIELD SCHOOLS

Management's Discussion and Analysis

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the changes in net position for the fiscal year 2022.

	Change in Net Position	
	2022	2021
Revenues		
Program revenues:		
Charges for services	\$ 178,604	\$ 108,674
Operating grants and contributions	3,003,751	2,088,805
General revenues:		
Property taxes	982,186	952,171
State aid unrestricted	4,901,880	4,554,559
Unrestricted investment earnings	12,228	6,153
Gain on sale of capital assets	3,000	600
Other	43,209	44,737
Total revenues	<u>9,124,858</u>	<u>7,755,699</u>
Expenses		
Instruction	3,490,344	5,091,780
Supporting services	2,426,793	1,530,753
Food services	415,631	315,434
Community recreation	194,673	91,757
Technology	244,644	248,927
Athletics	217,604	269,644
Other	10,097	6,258
Interest on long-term debt	110,663	124,695
Unallocated depreciation and amortization	430,605	426,001
Total expenses	<u>7,541,054</u>	<u>8,105,249</u>
Change in net position	1,583,804	(349,550)
Net position, beginning of year	<u>(10,576,888)</u>	<u>(10,227,338)</u>
Net position, end of year	<u>\$ (8,993,084)</u>	<u>\$ (10,576,888)</u>

Governmental Activities. Governmental activities net position increased by \$1,583,804, primarily due federal and state funding for COVID-19 grants as well as reductions in the District's net pension and net OPEB liabilities. Fluctuations in expense categories were driven by a number of factors including spending on capital outlay, a return to in-person instruction, and the different federal and state grants available to the District in each fiscal year.

SUMMERFIELD SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,406,836, an increase of \$567,888 over the prior year. Approximately 43% of this total amount, \$1,034,469, constitutes unassigned fund balance, which is available for spending at the District's discretion. The District reported \$163,750 as committed for student/school activity. The District reported \$446,062 as assigned fund balance to support a portion of next year's expenditures. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending because the underlying assets are included in inventory, prepaids, or endowments and are not available for current expenditure, or the fund balances are constrained by externally imposed restrictions.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,034,469. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 15% of total general fund expenditures.

The fund balance of the District's general fund increased by \$559,149 during the current fiscal year. This is primarily attributable to a increase in State revenue and receiving multiple federal grants to support spending due to the ongoing COVID-19 pandemic.

The fund balance of the District's technology fund decreased by \$14,229 during the current fiscal year. This is primarily attributable to replacing old technology items scheduled for updating that exceeded the current year collections from the enhancement levy.

SUMMERFIELD SCHOOLS

Management's Discussion and Analysis

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted before the 2021-22 year end. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided as part of the District's basic financial statements.

Differences between the original and final amended budgets relate to updates in state funding, grant funding allocations, changes in salaries and benefits costs, and student count for the District. Once this additional information was known, subsequent budget amendments recognized the shifting of revenue sources/additional revenue along with adjusting expenditures in District program budgets that were impacted by the changes. Some of the more significant changes between the original adopted budget and final amended budgets were:

- Budgeted federal revenues were increased approximately \$732,000 from the original to the final amended budget to better reflect allocated funding and carryover of grants from year to year. State revenues increased due to the conservative budgeting during spring versus the final State budget and final student count that provided a large increase in the State Aid allocation.
- Budgeted expenditures were increased approximately \$546,000 from the original to the final amended budget to better reflect costs of operation, including the addition of multiple federal grants during the school year. With the federal and state government providing several coronavirus pandemic related grants, budgets were increased to account for the increase in spending.

In accordance with State statute, the District is prohibited from amending the budget after year-end. As the District's books are not closed for accounting purposes at that point, a certain level of estimation is required in determining actual need. Actual expenditures ended the year under the final budget by \$375,172 or approximately 5%.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2022, amounted to \$4,367,562 (net of accumulated depreciation/amortization). This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, and leased equipment.

SUMMERFIELD SCHOOLS

Management's Discussion and Analysis

The major capital asset events during the current fiscal year were the replacement of buses (\$70,358), addition of kitchen equipment (\$49,308), a new preschool playground (\$53,606), replacement of an elementary play structure (\$13,044) and replacement of stage curtains (\$15,160).

	Capital Assets (Net of Depreciation)	
	2022	2021
Land	\$ 137,972	\$ 137,972
Land improvements	129,220	155,366
Buildings and improvements	3,550,495	3,875,748
Machinery and equipment	527,217	404,947
Leased equipment	22,658	30,210
Total capital assets, net	\$ 4,367,562	\$ 4,604,243

Additional information on the District's capital assets can be found in Note 6 of this report.

Long-term Debt. At the end of the current fiscal year, the District had bonded debt outstanding of \$4,180,000. This amount represents general obligations of the District that constitute an indebtedness of the District within any constitutional or statutory limitations.

Additional information on the District's long-term debt can be found in Note 9 of this report.

Economic Factors and Next Year's Budget and Rates

Our elected officials and administration considered many factors when setting the District's 2023 fiscal year budget (2022-2023). The most important factors affecting the budget are as follows:

- The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2023 fiscal year will be 90% of the October 2022 and 10% of the February 2022 student counts, respectively.
- The 2023 fiscal year budget was adopted in June 2022, based on an estimate of students that will be funded for the 2022-23 year (a blended figure is used based on the percentages above). Based on our internal analysis, we conservatively estimate that our student count will decline by 20 students in 2022-2023.
- Approximately 71% of all revenues received by the District are directly related to state aid (approximately 75% of general fund revenues).
- Under State law, the only means that the District has to access additional property tax revenue for general operations is through a county-wide enhancement millage. Accordingly, District funding is heavily dependent on the State's ability to fund local school operations.
- Once the final student count and related per pupil (State) funding is validated, the District will amend the budget to reflect updated revenues and expenditures. Current state legislative budgetary changes will adjust revenues and expenditures for new categorical State allocations.

SUMMERFIELD SCHOOLS

Management's Discussion and Analysis

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

- There continues to be a high degree of uncertainty regarding potential changes to state and federal funding and the ability to sustain the current levels of financing operations. In addition, the District is continuously evaluating the impacts of the pandemic as it determines the appropriate methods to deliver education to students in a safe environment. These factors will have a significant impact on the operational and financial performance of the District.
- The amount received on a county-wide basis for the costs of the special education program is another major factor influencing the District revenues. The 2022-23 preliminary budget assumes a flat funding level due to consistent spending and the reimbursement nature of the funding. However legislative changes to special education funding will impact adjustments to the 2022-23 revenues.
- The retirement cost for the District will increase slightly in 2022-23. More significant is the retirement costs being reimbursed by the State in Section 147c categorical payments. These monies are flow-through, and impact revenues and expenditures equally in the budget.
- For the 2022-23 fiscal year, the District's staffing was anticipated to remain stable. Staffing adjustments due to retirements and staff changing employment during the summer are not reflected in the 2022-23 preliminary budget.
- Although there is student decline anticipated, recent years has proven the District continues to receive additional students through the school of choice program prior to the start of the next school year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent's Office, Summerfield Schools, 17555 Ida West Road, Petersburg, Michigan 49270.

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BASIC FINANCIAL STATEMENTS

SUMMERFIELD SCHOOLS

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,260,667
Receivables	1,132,745
Inventory and prepaid items	18,375
Capital assets not being depreciated	137,972
Capital assets being depreciated or amortized, net	<u>4,229,590</u>
Total assets	<u>7,779,349</u>
Deferred outflows of resources	
Deferred charge on refunding	47,665
Deferred pension amounts	1,777,489
Deferred other postemployment benefit amounts	<u>704,479</u>
Total deferred outflows of resources	<u>2,529,633</u>
Liabilities	
Accounts payable and accrued liabilities	804,742
Unearned revenue	218,276
Leases payable:	
Due within one year	9,540
Due in more than one year	11,130
Long-term debt:	
Due within one year	344,885
Due in more than one year	4,010,589
Net pension liability (due in more than one year)	8,217,153
Net other postemployment benefit liability (due in more than one year)	<u>531,188</u>
Total liabilities	<u>14,147,503</u>
Deferred inflows of resources	
Deferred pension amounts	3,049,952
Deferred other postemployment benefit amounts	<u>2,104,611</u>
Total deferred inflows of resources	<u>5,154,563</u>
Net position	
Net investment in capital assets	54,342
Restricted for:	
Food service	255,444
Community recreation	61,481
Technology	276,532
Debt service	97,176
Permanent fund:	
Expendable	35,000
Non-expendable	5,217
Unrestricted (deficit)	<u>(9,778,276)</u>
Total net position	<u>\$ (8,993,084)</u>

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

SUMMERFIELD SCHOOLS

Statement of Activities

For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 3,490,344	\$ -	\$ 1,907,275	\$ (1,583,069)
Supporting services	2,426,793	-	282,821	(2,143,972)
Food services	415,631	14,631	500,670	99,670
Community recreation	194,673	120,735	90,538	16,600
Technology	244,644	-	193,184	(51,460)
Athletics	217,604	43,238	29,263	(145,103)
Other	10,097	-	-	(10,097)
Interest on long-term debt	110,663	-	-	(110,663)
Unallocated depreciation/amortization	430,605	-	-	(430,605)
Total governmental activities	<u>\$ 7,541,054</u>	<u>\$ 178,604</u>	<u>\$ 3,003,751</u>	<u>(4,358,699)</u>
General revenues				
Property taxes				982,186
State aid unrestricted				4,901,880
Unrestricted investment earnings				12,228
Gain on sale of capital assets				3,000
Other				43,209
Total general revenues				<u>5,942,503</u>
Change in net position				1,583,804
Net position, beginning of year				<u>(10,576,888)</u>
Net position, end of year				<u>\$ (8,993,084)</u>

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

SUMMERFIELD SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2022

	General Fund	Technology Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,276,147	\$ 287,164	\$ 697,356	\$ 2,260,667
Accounts receivable	759	-	-	759
Due from other funds	-	-	8,834	8,834
Due from other governments	1,099,701	-	32,285	1,131,986
Inventory	-	-	3,857	3,857
Prepaid items	6,317	-	8,201	14,518
Total assets	\$ 2,382,924	\$ 287,164	\$ 750,533	\$ 3,420,621
Liabilities				
Accounts payable	\$ 96,916	\$ 8,119	\$ 14,922	\$ 119,957
Accrued salaries payable	357,694	1,487	-	359,181
Accrued expenditures	306,193	1,026	318	307,537
Due to other funds	8,834	-	-	8,834
Unearned revenue	126,439	-	91,837	218,276
Total liabilities	896,076	10,632	107,077	1,013,785
Fund balances				
Nonspendable:				
Inventory	-	-	3,857	3,857
Prepaid items	6,317	-	8,201	14,518
Endowments	-	-	35,000	35,000
Restricted for:				
Food service	-	-	251,587	251,587
Community recreation	-	-	60,601	60,601
Technology	-	276,532	-	276,532
Scholarships	-	-	5,217	5,217
Debt service	-	-	115,243	115,243
Committed for -				
Student/school activity	-	-	163,750	163,750
Assigned -				
Budgeted use of fund balance	446,062	-	-	446,062
Unassigned	1,034,469	-	-	1,034,469
Total fund balances	1,486,848	276,532	643,456	2,406,836
Total liabilities and fund balances	\$ 2,382,924	\$ 287,164	\$ 750,533	\$ 3,420,621

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

SUMMERFIELD SCHOOLS

Reconciliation

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

Fund balances - total governmental funds \$ 2,406,836

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.

Capital assets not being depreciated	137,972
Capital assets being depreciated/amortized	14,339,583
Accumulated depreciation/amortization	(10,109,993)

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

Bonds and financed purchases	(4,208,509)
Unamortized charge on refunding	47,665
Unamortized bond premium	(131,706)
Compensated absences	(15,259)
Accrued interest on bonds payable	(18,067)
Leases payable	(20,670)

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

Net pension liability	(8,217,153)
Deferred outflows related to the net pension liability	1,777,489
Deferred inflows related to the net pension liability	(3,049,952)
Net other postemployment benefit liability	(531,188)
Deferred outflows related to the net other postemployment benefit liability	704,479
Deferred inflows related to the net other postemployment benefit liability	(2,104,611)

Net position of governmental activities \$ (8,993,084)

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

SUMMERFIELD SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2022

	General Fund	Technology Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 678,990	\$ -	\$ 725,457	\$ 1,404,447
State sources	5,700,944	-	22,317	5,723,261
Federal sources	1,046,379	-	570,546	1,616,925
Interdistrict sources and other	184,041	193,184	-	377,225
Total revenues	7,610,354	193,184	1,318,320	9,121,858
Expenditures				
Current:				
Instruction	3,987,934	-	-	3,987,934
Supporting services	2,725,724	-	186,942	2,912,666
Food services	-	-	423,544	423,544
Community recreation	-	-	199,474	199,474
Technology	40,302	207,413	-	247,715
Athletics	264,959	-	-	264,959
Other	10,740	-	-	10,740
Debt service:				
Principal	13,535	-	305,000	318,535
Lease principal	9,540	-	-	9,540
Interest and fiscal charges	1,471	-	118,899	120,370
Capital outlay	-	-	61,493	61,493
Total expenditures	7,054,205	207,413	1,295,352	8,556,970
Revenues over (under) expenditures	556,149	(14,229)	22,968	564,888
Other financing sources				
Proceeds from sale of capital assets	3,000	-	-	3,000
Net change in fund balances	559,149	(14,229)	22,968	567,888
Fund balances, beginning of year	927,699	290,761	620,488	1,838,948
Fund balances, end of year	\$ 1,486,848	\$ 276,532	\$ 643,456	\$ 2,406,836

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

SUMMERFIELD SCHOOLS

Reconciliation

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

Net change in fund balances - total governmental funds \$ 567,888

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

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

Capital assets purchased	201,476
Depreciation/amortization expense	(438,157)

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

Principal payments on long-term debt	318,535
Principal payments on leases payable	9,540
Amortization of bond premium	13,588
Amortization of deferred charge on refunding	(5,297)

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

Change in net pension liability and related deferred amounts	343,694
Change in net other postemployment benefit liability and related deferred amounts	566,489
Change in accrued interest payable on bonds	1,416
Change in the accrual for compensated absences	4,632

Change in net position of governmental activities \$ 1,583,804

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

SUMMERFIELD SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 670,642	\$ 665,176	\$ 678,990	\$ 13,814
State sources	5,095,886	5,696,704	5,700,944	4,240
Federal sources	395,624	1,127,952	1,046,379	(81,573)
Interdistrict sources and other	236,000	236,000	184,041	(51,959)
Total revenues	<u>6,398,152</u>	<u>7,725,832</u>	<u>7,610,354</u>	<u>(115,478)</u>
Expenditures				
Current:				
Instruction:				
Basic programs	3,218,649	3,553,297	3,464,578	(88,719)
Added needs	680,085	576,957	523,356	(53,601)
Total instruction	<u>3,898,734</u>	<u>4,130,254</u>	<u>3,987,934</u>	<u>(142,320)</u>
Supporting services:				
Pupil	413,244	449,576	435,346	(14,230)
Instructional services	25,300	53,095	40,114	(12,981)
General administration	264,402	280,703	281,746	1,043
School administration	497,374	517,733	489,754	(27,979)
Business	215,950	218,350	206,149	(12,201)
Operations and maintenance	695,369	905,563	792,940	(112,623)
Pupil transportation services	455,440	512,609	474,781	(37,828)
Central services	15,784	5,335	4,894	(441)
Total supporting services	<u>2,582,863</u>	<u>2,942,964</u>	<u>2,725,724</u>	<u>(217,240)</u>
Technology	<u>39,369</u>	<u>39,946</u>	<u>40,302</u>	<u>356</u>
Athletics	<u>319,792</u>	<u>275,953</u>	<u>264,959</u>	<u>(10,994)</u>
Other	<u>9,030</u>	<u>15,714</u>	<u>10,740</u>	<u>(4,974)</u>
Debt service:				
Principal	22,295	13,535	13,535	-
Lease principal	-	-	9,540	9,540
Interest and fiscal charges	1,471	1,471	1,471	-
Total debt service	<u>23,766</u>	<u>15,006</u>	<u>24,546</u>	<u>9,540</u>
Total expenditures	<u>6,873,554</u>	<u>7,419,837</u>	<u>7,054,205</u>	<u>(375,172)</u>
Revenues over (under) expenditures	<u>(475,402)</u>	<u>305,995</u>	<u>556,149</u>	<u>259,694</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	1,500	3,000	3,000	-
Transfers out	(3,541)	(34,303)	-	(34,303)
Total other financing sources (uses)	<u>(2,041)</u>	<u>(31,303)</u>	<u>3,000</u>	<u>(34,303)</u>
Net change in fund balance	<u>(477,443)</u>	<u>274,692</u>	<u>559,149</u>	<u>284,457</u>
Fund balance, beginning of year	<u>927,699</u>	<u>927,699</u>	<u>927,699</u>	<u>-</u>
Fund balance, end of year	<u>\$ 450,256</u>	<u>\$ 1,202,391</u>	<u>\$ 1,486,848</u>	<u>\$ 284,457</u>

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

SUMMERFIELD SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Technology Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interdistrict sources and other	\$ 190,000	\$ 191,809	\$ 193,184	\$ 1,375
Expenditures				
Technology	208,852	216,311	207,413	(8,898)
Net change in fund balance	(18,852)	(24,502)	(14,229)	10,273
Fund balance, beginning of year	290,761	290,761	290,761	-
Fund balance, end of year	<u>\$ 271,909</u>	<u>\$ 266,259</u>	<u>\$ 276,532</u>	<u>\$ 10,273</u>

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

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NOTES TO FINANCIAL STATEMENTS

SUMMERFIELD SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

SUMMERFIELD SCHOOLS

Notes to Financial Statements

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

The District reports the following major governmental funds:

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

The *technology special revenue fund* is used to account for and report financial resources restricted to expenditure of the technology related purchases.

Additionally, the District reports the following fund types:

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

The *capital projects series 2020 fund* is used to account for all financial resources restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, related to the 2020 bond issue.

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

The *permanent fund* accounts for contributions earmarked for scholarships available to qualifying students of the District.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

Deposits and Investments

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

SUMMERFIELD SCHOOLS

Notes to Financial Statements

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non current portion of interfund loans).

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

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

Inventory and Prepaid Items

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the food service fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items.

Capital Assets

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

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

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

Assets	Years
Land improvements	5-20
Buildings and improvements	50
Machinery and equipment	8

SUMMERFIELD SCHOOLS

Notes to Financial Statements

Deferred Outflows of Resources

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

Salaries Payable and Accrued Employee Benefits

A liability is recorded at year end for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year. The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

Compensated Absences

Employees can accumulate compensated absences by not using the number of sick days allotted each year. The maximum number of allowable accumulated sick days varies for employees depending on the capacity in which the District employs him/her. The vested liability for compensated absences is based on a dollar amount multiplied by the number of days accumulated for a maximum of 100 days, by employees who have been employed by the District for ten or more years. The current portion represents the estimated amount that will be paid to employees in the next fiscal year.

Long-term Obligations

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

In the fund financial statements, governmental fund types generally 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.

SUMMERFIELD SCHOOLS

Notes to Financial Statements

Deferred Inflows of Resources

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

Fund Equity

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

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

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefit liabilities, 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 Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

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

SUMMERFIELD SCHOOLS

Notes to Financial Statements

2. BUDGETARY INFORMATION

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

All annual appropriations lapse at fiscal year end.

3. EXCESS OF EXPENDITURES OVER BUDGET

During the year the District incurred certain expenditures in excess of the amounts appropriated as follows:

	Final Budget	Actual	Over Final Budget
General fund			
Current:			
Supporting services -			
General administration	\$ 280,703	\$ 281,746	\$ 1,043
Technology	39,946	40,302	356
Lease principal	-	9,540	9,540

4. DEPOSITS AND INVESTMENTS

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

Statement of Net Position	
Cash and cash equivalents	<u>\$ 2,260,667</u>
Deposits and investments	
Checking and savings accounts	\$ 2,205,247
Certificates of deposit (due within one year)	50,250
Certificates of deposit (due within one to five years)	4,970
Cash on hand	<u>200</u>
Total	<u>\$ 2,260,667</u>

SUMMERFIELD SCHOOLS

Notes to Financial Statements

Statutory Authority

State statutes authorize the District to invest in:

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

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

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

SUMMERFIELD SCHOOLS

Notes to Financial Statements

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District had no investments at year end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$2,052,567 of the District’s bank balance of \$2,337,806 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The District had no investments at year end.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. The District had no investments at year end.

5. RECEIVABLES

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

	General Fund	Nonmajor Governmental Funds	Total
Accounts receivable	\$ 759	\$ -	\$ 759
Due from other governments	1,099,701	32,285	1,131,986
	<u>\$ 1,100,460</u>	<u>\$ 32,285</u>	<u>\$ 1,132,745</u>

SUMMERFIELD SCHOOLS

Notes to Financial Statements

6. CAPITAL ASSETS

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

	Beginning Balance*	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated -					
Land	\$ 137,972	\$ -	\$ -	\$ -	\$ 137,972
Capital assets being depreciated/amortized:					
Land improvements	1,183,862	-	-	-	1,183,862
Buildings and improvements	11,501,535	-	-	-	11,501,535
Machinery and equipment	1,500,924	201,476	(78,424)	-	1,623,976
Leased equipment	30,210	-	-	-	30,210
	<u>14,216,531</u>	<u>201,476</u>	<u>(78,424)</u>	<u>-</u>	<u>14,339,583</u>
Less accumulated depreciation/amortization for:					
Land improvements	(1,028,496)	(26,146)	-	-	(1,054,642)
Buildings and improvements	(7,625,787)	(325,253)	-	-	(7,951,040)
Machinery and equipment	(1,095,977)	(79,206)	78,424	-	(1,096,759)
Leased equipment	-	(7,552)	-	-	(7,552)
	<u>(9,750,260)</u>	<u>(438,157)</u>	<u>78,424</u>	<u>-</u>	<u>(10,109,993)</u>
Total capital assets being depreciated/amortized, net	<u>4,466,271</u>	<u>(236,681)</u>	<u>-</u>	<u>-</u>	<u>4,229,590</u>
Governmental activities capital assets, net	<u>\$ 4,604,243</u>	<u>\$ (236,681)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,367,562</u>

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

Depreciation/amortization expense of \$438,157 was reported as "unallocated depreciation and amortization," and was not allocated to individual functions.

SUMMERFIELD SCHOOLS

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	General Fund	Technology Fund	Nonmajor Governmental Funds	Total
Fund Financial Statements				
Accounts payable	\$ 96,916	\$ 8,119	\$ 14,922	\$ 119,957
Accrued salaries payable	357,694	1,487	-	359,181
Accrued expenditures	306,193	1,026	318	307,537
	<u>\$ 760,803</u>	<u>\$ 10,632</u>	<u>\$ 15,240</u>	786,675
Government-wide Financial Statements				
Accrued interest on long-term debt				<u>18,067</u>
				<u>\$ 804,742</u>

8. INTERFUND RECEIVABLES AND PAYABLES

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

	Due From	Due To
General fund	\$ -	\$ 8,834
Nonmajor governmental funds	8,834	-
	<u>\$ 8,834</u>	<u>\$ 8,834</u>

The District reports interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net position/balance sheet for the governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

SUMMERFIELD SCHOOLS

Notes to Financial Statements

9. LONG-TERM DEBT

The following is a summary of long-term debt activities of the District for the year ended June 30, 2022:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 4,485,000	\$ -	\$ (305,000)	\$ 4,180,000	\$ 315,000
Notes from direct borrowings and direct placements -					
Financed purchases	42,044	-	(13,535)	28,509	14,008
Bond premium	145,294	-	(13,588)	131,706	13,588
Compensated absences	19,891	5,904	(10,536)	15,259	2,289
	<u>\$ 4,692,229</u>	<u>\$ 5,904</u>	<u>\$ (342,659)</u>	<u>\$ 4,355,474</u>	<u>\$ 344,885</u>

Compensated absences are generally liquidated by the general fund.

General obligation bonds payable at June 30, 2022, consists of the following:

\$4,035,000 2015 Refunding Bond, due in annual installments of \$205,000 to \$305,000 through May 1, 2031; interest at 3.00%.	\$ 2,480,000
\$1,825,000 2020 School Building and Site Bond, due in annual installments of \$60,000 to \$250,000 through May 1, 2035; interest at 2.00%.	<u>1,700,000</u>
Total general obligation bonds	<u><u>\$ 4,180,000</u></u>

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

Year Ended June 30,	Principal	Interest	Total
2023	\$ 315,000	\$ 108,400	\$ 423,400
2024	315,000	99,600	414,600
2025	335,000	90,800	425,800
2026	345,000	81,500	426,500
2027	355,000	71,950	426,950
2028-2032	1,770,000	206,050	1,976,050
2033-2035	745,000	29,900	774,900
Totals	<u>\$ 4,180,000</u>	<u>\$ 688,200</u>	<u>\$ 4,868,200</u>

SUMMERFIELD SCHOOLS

Notes to Financial Statements

The District has one financed purchase agreement for buses with an original cost of \$94,967. The net book value of the capital asset acquired through the financed purchase was \$38,580 as of year end. Annual debt service requirements to maturity for the financed purchase is as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 14,008	\$ 998	\$ 15,006
2024	14,501	507	15,008
Totals	<u>\$ 28,509</u>	<u>\$ 1,505</u>	<u>\$ 30,014</u>

10. LEASES PAYABLE

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

Remaining Term of Agreements

Asset Type

Equipment 4 years

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

Equipment	\$ 30,210
Less accumulated amortization	<u>(7,552)</u>
Net book value	<u>\$ 22,658</u>

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

Year Ended December 31,	Principal	Interest
2023	\$ 9,540	\$ 3,038
2024	9,540	3,038
2025	1,590	506
Total	<u>\$ 20,670</u>	<u>\$ 6,582</u>

SUMMERFIELD SCHOOLS

Notes to Financial Statements

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

	Beginning Balance *	Additions	Deductions	Ending Balance	Due Within One Year
Leases payable	\$ 30,210	\$ -	\$ (9,540)	\$ 20,670	\$ 9,540

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

11. RISK MANAGEMENT

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

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

12. PROPERTY TAXES

Property taxes levied by the District are collected by the Townships of Dundee, Ida, and Summerfield and the City of Petersburg 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. 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.

13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

SUMMERFIELD SCHOOLS

Notes to Financial Statements

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

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

Pension Benefits Provided

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

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

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

SUMMERFIELD SCHOOLS

Notes to Financial Statements

Other Postemployment Benefits Provided

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

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

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

Contributions

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

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

SUMMERFIELD SCHOOLS

Notes to Financial Statements

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

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

For the year ended June 30, 2022, required and actual contributions from the District to the pension plan were \$1,159,200, which included \$552,443, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

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

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

For the year ended June 30, 2022, required and actual contributions from the District to the OPEB plan were \$255,578.

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

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

For the year ended June 30, 2022, required and actual contributions from the District for those members with a defined contribution benefit were \$84,689.

SUMMERFIELD SCHOOLS

Notes to Financial Statements

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

At June 30, 2022, the District reported a liability of \$8,217,153 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.03471%, which was a decrease of 0.00085% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$810,339. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 127,287	\$ 48,389	\$ 78,898
Changes in assumptions	517,980	-	517,980
Net difference between projected and actual earnings on pension plan investments	-	2,641,788	(2,641,788)
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,213	359,775	(329,562)
	<u>675,480</u>	<u>3,049,952</u>	<u>(2,374,472)</u>
District contributions subsequent to the measurement date	<u>1,102,009</u>	<u>-</u>	<u>1,102,009</u>
Total	<u>\$ 1,777,489</u>	<u>\$ 3,049,952</u>	<u>\$ (1,272,463)</u>

SUMMERFIELD SCHOOLS

Notes to Financial Statements

The \$1,102,009 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2023	\$ (332,493)
2024	(573,533)
2025	(728,810)
2026	<u>(739,636)</u>
Total	<u>\$ (2,374,472)</u>

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

At June 30, 2022, the District reported a liability of \$531,188 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.03480% which was a decrease of 0.00062% from its proportion measured as of September 30, 2020.

SUMMERFIELD SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2022, the District recognized OPEB expense of \$(312,840). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,516,239	\$ (1,516,239)
Changes in assumptions	444,047	66,446	377,601
Net difference between projected and actual earnings on OPEB plan investments	-	400,366	(400,366)
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,231	121,560	(90,329)
	<u>475,278</u>	<u>2,104,611</u>	<u>(1,629,333)</u>
District contributions subsequent to the measurement date	229,201	-	229,201
	<u>229,201</u>	<u>-</u>	<u>229,201</u>
Total	<u>\$ 704,479</u>	<u>\$ 2,104,611</u>	<u>\$ (1,400,132)</u>

The \$229,201 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2023	\$ (416,268)
2024	(383,899)
2025	(357,864)
2026	(340,220)
2027	(115,882)
Thereafter	<u>(15,200)</u>
Total	<u>\$ (1,629,333)</u>

SUMMERFIELD SCHOOLS

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2020 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2021, are based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4367 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.1312 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

SUMMERFIELD SCHOOLS

Notes to Financial Statements

Long-term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

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

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

SUMMERFIELD SCHOOLS

Notes to Financial Statements

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

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

Rate of Return

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

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

SUMMERFIELD SCHOOLS

Notes to Financial Statements

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

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

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
District's proportionate share of the net pension liability	\$ 11,748,301	\$ 8,217,153	\$ 5,289,600

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

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

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	\$ 987,044	\$ 531,188	\$ 144,330

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

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

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net OPEB liability	\$ 129,287	\$ 531,188	\$ 983,376

SUMMERFIELD SCHOOLS

Notes to Financial Statements

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2022, the District reported a payable of \$173,685 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2022.

Payable to the OPEB Plan

At June 30, 2022, the District reported a payable of \$29,058 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2022.

14. CONTINGENCIES

Under the terms of various federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management does not believe such disallowances, if any, will be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2022.

15. NET INVESTMENT IN CAPITAL ASSETS

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

Capital assets	
Capital assets not being depreciated	\$ 137,972
Capital assets being depreciated/amortized, net	<u>4,229,590</u>
Total capital assets	<u>4,367,562</u>
Capital related debt	
Bonds payable	(4,180,000)
Notes from direct borrowings	(28,509)
Unamortized charge on refunding	47,665
Bond premium	(131,706)
Leases payable	<u>(20,670)</u>
Total capital related debt	<u>(4,313,220)</u>
Net investment in capital assets	<u>\$ 54,342</u>

SUMMERFIELD SCHOOLS

Notes to Financial Statements

16. BONDED CONSTRUCTION FUND AUDIT (SECTION 1351A OF PUBLIC ACT 451 OF 1976)

The District issued the 2020 General Obligation School Building and Site Bond Issue on March 6, 2020, in the amount of \$1,825,000. The principal and interest on this bond issue are financed primarily from property taxes. The bonds, dated March 6, 2020, which bear interest at 2.0% are due serially through 2035.

The bond proceeds and interest income earned on those proceeds were used for the purpose of remodeling, furnishing and refurbishing, equipping and re-equipping school buildings, purchasing school buses, preparing developing improving and equipping playgrounds, athletic fields and facilities, and site improvements.

The Revised School Code, Public Act 451 of 1976, Section 1351a, requires that an independent audit be performed on certain operating results and compliance tests performed related to specified bond activities.

The capital project fund includes capital project activities funded with bonds issued after May 1, 1994. For this these capital project, the District has complied with the applicable provisions of Section 1351a of the Revised School Code. Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2020 capital project fund. The project for which the 2020 General Obligation School Building and Site Bonds were issued was considered complete on June 30, 2022, and the cumulative expenditures recognized for the construction period were \$1,857,768.

17. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past two years, the District has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately \$904,000 was expended and recognized as revenue during the current fiscal year. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.



REQUIRED SUPPLEMENTARY INFORMATION

SUMMERFIELD SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

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

	Year Ended June 30,		
	2022	2021	2020
District's proportionate share of the net pension liability	\$ 8,217,153	\$ 12,214,536	\$ 12,091,984
District's proportion of the net pension liability	0.03471%	0.03556%	0.03651%
District's covered payroll	\$ 3,180,626	\$ 3,159,221	\$ 3,227,096
District's proportionate share of the net pension liability as a percentage of its covered payroll	258.35%	386.63%	374.70%
Plan fiduciary net position as a percentage of the total pension liability	72.60%	59.72%	60.31%

See notes to required supplementary information.



Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 10,879,932	\$ 9,349,564	\$ 9,056,728	\$ 9,219,993	\$ 7,921,486
0.03619%	0.03608%	0.03630%	0.03775%	0.03596%
\$ 3,094,542	\$ 3,036,124	\$ 3,025,373	\$ 3,147,417	\$ 3,224,862
351.58%	307.94%	299.36%	292.94%	245.64%
62.36%	64.21%	63.27%	63.17%	66.20%

SUMMERFIELD SCHOOLS

Required Supplementary Information

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

	Year Ended June 30,		
	2022	2021	2020
Statutorily required contributions	\$ 1,159,200	\$ 1,010,772	\$ 1,007,530
Contributions in relation to the statutorily required contributions	<u>(1,159,200)</u>	<u>(1,010,772)</u>	<u>(1,007,530)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,304,416	\$ 3,127,801	\$ 3,196,104
Contributions as a percentage of covered payroll	35.08%	32.32%	31.52%

See notes to required supplementary information.



Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 960,471	\$ 989,369	\$ 843,958	\$ 843,846	\$ 713,219
<u>(960,471)</u>	<u>(989,369)</u>	<u>(843,958)</u>	<u>(843,846)</u>	<u>(713,219)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,230,404	\$ 3,108,979	\$ 3,043,545	\$ 3,118,761	\$ 3,294,114
29.73%	31.82%	27.73%	27.06%	21.65%

SUMMERFIELD SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

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

	Year Ended June 30,				
	2022	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 531,188	\$ 1,897,554	\$ 2,646,008	\$ 2,887,784	\$ 3,197,634
District's proportion of the net OPEB liability	0.03480%	0.03542%	0.03686%	0.03633%	0.03611%
District's covered payroll	\$ 3,180,626	\$ 3,159,221	\$ 3,227,096	\$ 3,094,542	\$ 3,036,124
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.70%	60.06%	81.99%	93.32%	105.32%
Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

SUMMERFIELD SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 255,578	\$ 277,095	\$ 229,902	\$ 261,112	\$ 230,352
Contributions in relation to the statutorily required contributions	<u>(255,578)</u>	<u>(277,095)</u>	<u>(229,902)</u>	<u>(261,112)</u>	<u>(230,352)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,304,416	\$ 3,127,801	\$ 3,196,104	\$ 3,230,404	\$ 3,108,979
Contributions as a percentage of covered payroll	7.73%	8.86%	7.19%	8.08%	7.41%

See notes to required supplementary information.

SUMMERFIELD SCHOOLS

Notes to Required Supplementary Information

Pension Information

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

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

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

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

OPEB Information

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

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

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

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

**COMBINING FUND
FINANCIAL STATEMENTS**

SUMMERFIELD SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

	Special Revenue			
	Food Service Fund	Community Recreation Fund	Student/School Activity Fund	Scholarships Fund
Assets				
Cash and cash equivalents	\$ 257,067	\$ 111,935	\$ 172,894	\$ -
Due from other funds	384	8,450	-	-
Due from other governments	32,285	-	-	-
Inventory	3,857	-	-	-
Prepaid items	-	880	7,321	-
Total assets	<u>\$ 293,593</u>	<u>\$ 121,265</u>	<u>\$ 180,215</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ 11,014	\$ 1,195	\$ 2,713	\$ -
Accrued expenditures	-	318	-	-
Unearned revenue	27,135	58,271	6,431	-
Total liabilities	<u>38,149</u>	<u>59,784</u>	<u>9,144</u>	<u>-</u>
Fund balances				
Nonspendable:				
Inventory	3,857	-	-	-
Prepaid items	-	880	7,321	-
Endowments	-	-	-	-
Restricted for:				
Food service	251,587	-	-	-
Community recreation	-	60,601	-	-
Scholarships	-	-	-	-
Debt service	-	-	-	-
Committed for -				
Student/school activity	-	-	163,750	-
Total fund balances	<u>255,444</u>	<u>61,481</u>	<u>171,071</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 293,593</u>	<u>\$ 121,265</u>	<u>\$ 180,215</u>	<u>\$ -</u>

Capital Projects	Debt Service		Permanent	Total Nonmajor Governmental Funds
2020 Series Fund	2016 Bond Fund	2020 Bond Fund	Scholarships Fund	
\$ -	\$ 97,251	\$ 17,992	\$ 40,217	\$ 697,356
-	-	-	-	8,834
-	-	-	-	32,285
-	-	-	-	3,857
-	-	-	-	8,201
<u>\$ -</u>	<u>\$ 97,251</u>	<u>\$ 17,992</u>	<u>\$ 40,217</u>	<u>\$ 750,533</u>
\$ -	\$ -	\$ -	\$ -	\$ 14,922
-	-	-	-	318
-	-	-	-	91,837
-	-	-	-	107,077
-	-	-	-	3,857
-	-	-	-	8,201
-	-	-	35,000	35,000
-	-	-	-	251,587
-	-	-	-	60,601
-	-	-	5,217	5,217
-	97,251	17,992	-	115,243
-	-	-	-	163,750
-	97,251	17,992	40,217	643,456
<u>\$ -</u>	<u>\$ 97,251</u>	<u>\$ 17,992</u>	<u>\$ 40,217</u>	<u>\$ 750,533</u>

SUMMERFIELD SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended June 30, 2022

	Special Revenue			
	Food Service Fund	Community Recreation Fund	Student/School Activity Fund	Scholarships Fund
Revenues				
Local sources	\$ 15,451	\$ 120,735	\$ 189,825	\$ 5
State sources	15,502	4,340	-	-
Federal sources	484,348	86,198	-	-
Total revenues	515,301	211,273	189,825	5
Expenditures				
Current:				
Supporting services	-	-	179,310	7,632
Food services	423,544	-	-	-
Community recreation	-	199,474	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	423,544	199,474	179,310	7,632
Net change in fund balances	91,757	11,799	10,515	(7,627)
Fund balances, beginning of year	163,687	49,682	160,556	7,627
Fund balances, end of year	\$ 255,444	\$ 61,481	\$ 171,071	\$ -

Capital Projects	Debt Service		Permanent	Total Nonmajor Governmental Funds
2020 Series Fund	2016 Bond Fund	2020 Bond Fund	Scholarships Fund	
\$ 200	\$ 306,305	\$ 92,891	\$ 45	\$ 725,457
-	1,899	576	-	22,317
-	-	-	-	570,546
200	308,204	93,467	45	1,318,320
-	-	-	-	186,942
-	-	-	-	423,544
-	-	-	-	199,474
-	240,000	65,000	-	305,000
-	82,599	36,300	-	118,899
61,493	-	-	-	61,493
61,493	322,599	101,300	-	1,295,352
(61,293)	(14,395)	(7,833)	45	22,968
61,293	111,646	25,825	40,172	620,488
\$ -	\$ 97,251	\$ 17,992	\$ 40,217	\$ 643,456

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SINGLE AUDIT ACT COMPLIANCE

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

October 21, 2022

Board of Education
Summerfield Schools
Petersburg, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Summerfield Schools** (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 21, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson LLC



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SUMMERFIELD SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
Cash Assistance:				
Seamless Summer Option (SSO) Breakfast	10.553	MDE	211971	\$ 15,664
Seamless Summer Option (SSO) Breakfast	10.553	MDE	221971	143,777
Supply Chain Assistance	10.555	MDE	220910	19,774
Seamless Summer Option (SSO) Lunch	10.555	MDE	211961	26,941
Seamless Summer Option (SSO) Lunch	10.555	MDE	221961	254,373
Non-Cash Assistance (Commodities):				
Entitlement Commodities	10.555	MDE	-n/a-	22,681
Bonus Commodities	10.555	MDE	-n/a-	1,835
Summer Food Service Program for Children	10.559	MDE	210904	87,570
Total Child Nutrition Cluster				
Child and Adult Care Food Program	10.558	MDE	221920	494
COVID -19 - Pandemic EBT for Administrative Costs	10.649	MDE	210980-2021	614
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I Grants to Local Educational Agencies:				
Title I, Part A - Improving Basic Programs	84.010	MDE	211530-2021	133,033
Title I, Part A - Improving Basic Programs C/O	84.010	MDE	211530-2021	9,845
Title I, Part A - Improving Basic Programs	84.010	MDE	221530-2122	100,372
Rural Education - Small, Rural School				
Achievement Program	84.358	Direct	S358A201949	27,900
Achievement Program	84.358	Direct	S358A211660	29,725

(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2021	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2022
\$ -	\$ -	\$ 15,664	\$ 15,664	\$ -
-	-	135,985	143,777	7,792
-	-	151,649	159,441	7,792
-	-	19,774	-	(19,774)
-	-	26,941	26,941	-
-	-	241,188	254,373	13,185
-	-	22,681	22,681	-
-	-	1,835	1,835	-
-	-	312,419	305,830	(6,589)
69,857	69,857	87,570	17,713	-
69,857	69,857	551,638	482,984	1,203
-	-	494	494	-
-	-	614	614	-
69,857	69,857	552,746	484,092	1,203
-	19,710	19,710	-	-
-	-	9,845	9,845	-
-	-	57,668	75,279	17,611
-	19,710	87,223	85,124	17,611
7,472	350	350	-	-
-	-	23,881	25,043	1,162
7,472	350	24,231	25,043	1,162

continued...

SUMMERFIELD SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount
U.S. Department of Education (continued)				
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants):				
Title II, Part A - Improving Teacher Quality	84.367A	MDE	210520-2021	\$ 41,052
Title II, Part A - Improving Teacher Quality C/O	84.367A	MDE	210520-2021	2,388
Title II, Part A - Improving Teacher Quality	84.367A	MDE	220520-2122	26,202
Student Support and Academic Enrichment Program - Title IV, Part A:				
2019-2020 Enrichment Program	84.424A	MDE	200750-1920	983
2020-2021 Enrichment Program	84.424A	MDE	210750-2021	10,000
2021-2022 Enrichment Program	84.424A	MDE	220750-2122	10,515
COVID-19 - Education Stabilization Fund:				
GEER II	84.425C	MDE	211202-2021	11,750
Emergency Relief Program:				
ESSER II - Summer Programming	84.425D	MDE	213722-2122	57,200
ESSER II - Credit Recovery	84.425D	MDE	213742-2122	11,550
ESSER II - Formula	84.425D	MDE	213712-2021	315,874
ESSER III - Formula	84.425U	MDE	213713-2122	709,911
GSRP funded through ESF	84.425U	MCISD	222390	126,400
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Medicaid Cluster -				
Medical Assistance Program	93.778	MCISD	-n/a-	1,757
Child Care and Development Block Grant	93.575	MDE	-n/a-	11,700
Total U.S. Department of Health and Human Services				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2021	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2022
\$ -	\$ 1,264	\$ 1,264	\$ -	\$ -
11,372	-	2,388	2,388	-
11,372	-	16,799	17,891	1,092
<u>22,744</u>	<u>1,264</u>	<u>20,451</u>	<u>20,279</u>	<u>1,092</u>
-	-	983	983	-
-	3,952	3,952	-	-
11,173	-	8,826	10,515	1,689
<u>11,173</u>	<u>3,952</u>	<u>13,761</u>	<u>11,498</u>	<u>1,689</u>
-	-	11,750	11,750	-
-	-	49,901	50,047	146
-	-	11,550	11,550	-
-	34,486	275,573	245,955	4,868
-	-	476,364	492,937	16,573
-	-	75,879	90,695	14,816
-	<u>34,486</u>	<u>901,017</u>	<u>902,934</u>	<u>36,403</u>
<u>41,389</u>	<u>59,762</u>	<u>1,046,683</u>	<u>1,044,878</u>	<u>57,957</u>
-	-	1,757	1,757	-
<u>4,026</u>	-	<u>7,674</u>	<u>7,674</u>	-
<u>4,026</u>	-	<u>9,431</u>	<u>9,431</u>	-
<u>\$ 115,272</u>	<u>\$ 129,619</u>	<u>\$ 1,608,860</u>	<u>\$ 1,538,401</u>	<u>\$ 59,160</u>

concluded

SUMMERFIELD SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, 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.

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

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

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

2. 10% DE MINIMIS COST RATE

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

3. RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

A reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit act compliance schedule of expenditures of federal awards is as follows:

Federal revenues as reported in the financial statements	\$ 1,616,925
Less - federal assistance received as beneficiary	<u>(78,524)</u>
Expenditures per schedule of expenditures of federal awards	<u>\$ 1,538,401</u>

SUMMERFIELD SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

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

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
MCISD	Monroe Intermediate School District



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

October 21, 2022

Board of Education
Summerfield Schools
Petersburg, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Summerfield Schools** (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for determining 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

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

Rehmann Lobson LLC

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

October 21, 2022

Board of Education
Summerfield Schools
Petersburg, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of **Summerfield Schools** (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.



Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

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

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

SUMMERFIELD SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over the major program:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

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

Identification of the major program and type of auditor's report issued on compliance for the major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.425	COVID-19 - Education Stabilization Fund	Unmodified

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

Auditee qualified as low-risk auditee? yes X no

SUMMERFIELD SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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SUMMERFIELD SCHOOLS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2022

None reported.



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