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ONAWAY AREA COMMUNITY SCHOOLS
CHEBOYGAN AND PRESQUE ISLE COUNTIES, MICHIGAN

AUDITORS' REPORT
YEAR ENDED JUNE 30, 2022

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AUDITORS' REPORT

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September 6, 2022

Independent Auditors' Report

Board of Education
Onaway Area Community Schools
Cheboygan and Presque Isle Counties, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Onaway Area Community Schools, Cheboygan and Presque Isle Counties, Michigan, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the index.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Onaway Area Community Schools, Cheboygan and Presque Isle Counties, Michigan, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Onaway Area Community Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Onaway Area Community Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Onaway Area Community Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and required pension and other postemployment benefit (OPEB) schedules 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 Onaway Area Community Schools' basic financial statements. The accompanying combining nonmajor fund financial statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and individual fund schedules 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 September 6, 2022, included in the Single Audit Report issued under a separate cover, on our consideration of Onaway Area Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Onaway Area Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Onaway Area Community Schools' internal control over financial reporting and compliance.

Stephenson & Company, P.C.



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Working together to prepare students for life.

Go Cardinals!!

As management of Onaway Area Community 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 ended June 30, 2022.

The management's discussion and analysis is provided at the beginning of the audit to provide, in layman's terms, the past and current position of the school district's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the District's revenues and expenditures by program.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations.

The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$5,696,692 (net position). Of this amount, \$(10,238,140) (unrestricted net position) is the result of the District's ongoing obligations to taxpayers, employees, students, and creditors. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations.

The District's total Net Position increased by \$1,136,385 in the current year. The primary reason for the increase was federal funding related to the COVID-19 pandemic, which totaled \$714,634 in the General Fund.

As of the close of the current fiscal year, the District's governmental funds (General Fund, 2016 Construction Fund, Debt Service Fund, and Food Service Fund) reported combined ending fund balances of \$1,830,499, an increase of \$21,798 from the prior year. This aggregated fund balance is equal to 22% of the total operating expenditures of these funds. Of this amount, \$1,096,181 (unassigned fund balance) is available for spending at the District's discretion.

The General Fund fund balance increased by \$104,978. The District received significant federal funding as result of the COVID-19 pandemic, as mentioned above, some of which was offset by matching related additional expenditures in response to the pandemic.

The aggregate remaining Other Governmental Funds experienced an \$83,180 decrease in fund balance. The Food Service Fund fund balance increased \$110,406 (largely driven by increased federal meals reimbursement rates), while the Debt Service Fund decreased \$38,499 (debt service costs exceeded tax revenue) and the 2016 Construction Fund decreased \$155,087 (no significant ongoing revenue, but \$155,342 in current year capital outlay).

USING THIS ANNUAL REPORT

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

Government-Wide Financial Statements

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

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

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

Both the government-wide financial statements distinguish functions of the Onaway Area Community School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instruction, support services, and food services.

The government-wide financial statements can be found in the Statement of Net Position and the Statement of Activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District'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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts annual appropriated budgets for its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with its budgets.

The basic governmental fund financial statements can be found in the Balance Sheet – Governmental Funds and the Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

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. The notes to the financial statements are presented in Notes to Financial Statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the District's major funds. Required supplementary information can be found in this Management's Discussion and Analysis, Required Pension and OPEB Schedules, and the Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining nonmajor fund financial statements can be found in the Combining Balance Sheet – Other Governmental Funds and the Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Other Governmental Funds.

The individual fund schedules presenting the General Fund – Details of Revenue Compared to Budget and the General Fund – Details of Expenditures Compared to Budget are immediately following the combined nonmajor fund financial statements referred to in the preceding paragraph.

Our auditors have provided assurance in their independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information and the Supplemental Information identified above. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the parts in the Financial Section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis below focuses on the net position (Table 1) and the change in net position (Table 2) of the School District's governmental activities.

TABLE 1: NET POSITION

	<u>Governmental Activities</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Current Assets	\$ 2,848,893	\$ 2,638,692
Noncurrent Assets:		
Capital Assets - Net	<u>5,941,584</u>	<u>6,206,556</u>
Total Assets	<u>8,790,477</u>	<u>8,845,248</u>
Deferred Outflows of Resources	<u>2,474,074</u>	<u>3,318,879</u>
Current Liabilities	981,519	838,866
Noncurrent Liabilities	<u>10,600,624</u>	<u>16,016,173</u>
Total Liabilities	<u>11,582,143</u>	<u>16,855,039</u>
Deferred Inflows of Resources	<u>5,379,100</u>	<u>2,142,165</u>
<u>Net Position (Restated)</u>		
Net Investment in Capital Assets	4,341,924	4,085,231
Restricted	199,524	393,110
Unrestricted (Deficit)	<u>(10,238,140)</u>	<u>(11,311,418)</u>
Total Net Position	<u>\$ (5,696,692)</u>	<u>\$ (6,833,077)</u>

The \$(10,238,140) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities (net pension liability for example); we would be short by \$10,238,140. This shortfall is a direct result of the implementation of GASB 68 and GASB 75 in prior years. See Note 10 and Note 11 of this report.

TABLE 2: CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 49,917	\$ 56,442
Operating Grants and Contributions	3,054,576	2,269,979
Capital Grants and Contributions	0	0
General Revenues:		
Current Property Taxes	3,327,495	3,327,811
State School Aid – Unrestricted	2,041,252	2,007,348
Investment Earnings	3,107	1,508
Gain (Loss) on Disposal of Capital Assets	0	0
Miscellaneous	<u>45,518</u>	<u>39,314</u>
Total Revenues	<u>8,521,865</u>	<u>7,702,402</u>
Functions/Program Expenses:		
Instruction	4,930,238	4,864,435
Support Services	1,724,305	1,963,773
Community Services	35,325	28,066
Athletics	148,827	139,136
Food Services	355,082	327,647
Student Activities	139,147	91,024
Interest on Long-Term Debt	<u>52,556</u>	<u>64,941</u>
Total Functions/Program Expenses	<u>7,385,480</u>	<u>7,479,022</u>
Change in Net Position	1,136,385	223,380
Beginning Net Position (Restated)	<u>(6,833,077)</u>	<u>(7,056,457)</u>
Ending Net Position (Restated)	<u>\$ (5,696,692)</u>	<u>\$ (6,833,077)</u>

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared according to Michigan law. The budgeted funds are the General Fund and the Food Service Fund.

During the year ended June 30, 2022, the District amended the budgets of these governmental funds as necessary to account for changes in anticipated revenues and expenditures.

General Fund

The General Fund's actual revenue was \$7,469,308. The amount is above both the original budget estimate of \$6,742,769 and the final amended budget of \$7,309,632. The variance between the actual revenues, the original budget, and the final budget was primarily due to the District receiving a greater increase to federal funding than was expected. Local tax base also went up, which led to an increase in revenues as well.

The actual expenditures of the General Fund were \$7,385,776, which is above the original budget estimate of \$7,169,565 and below the final budget estimate of \$7,600,862. Instructional expenditures, such as a large curriculum purchase, had large variances in costs throughout the year.

Mid-year staff changes added to the expenditure amount as well. The district also kept an additional compensatory staff aboard, to help make up for the COVID-19 learning loss.

The General Fund had total revenues of \$7,469,308, total expenditures of \$7,385,776, and other financing sources of \$21,446 with an ending fund balance of \$1,430,207.

CAPITAL ASSET AND LONG-TERM LIABILITY ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the District had capital assets with original acquisition costs totaling \$11,182,661, consisting of land and buildings, furniture and equipment, vehicles and buses, and software. Of this amount, \$5,241,077 in depreciation has been taken over the years. The District's capital assets currently have a net book value of \$5,941,584.

During the year ended June 30, 2022, the District's capital asset additions consisted of:

Campus Wide Security Camera Project	\$ 70,175
Football Scoreboard	20,754
Book Vending Machine	<u>5,370</u>
Total Additions	<u>\$ 96,299</u>

There were no current year disposals of capital assets.

Additional information on the District's capital assets can be found in Notes to Financial Statements, Note 5 of this report.

Long-Term Debt

At June 30, 2022, long-term debt amounted to \$1,895,461. Such debt includes *Bonds Payable, Installment Purchases Payable and Compensated Absences*.

Additional information on the District's long-term debt can be found in Notes to Financial Statements, Note 7 of this report.

Net Pension Liability

At June 30, 2022, the District's Net Pension Liability amounted to \$8,177,502. This constitutes their unfunded pension benefit obligation as of the measurement date of the Michigan Public School Employees Retirement System Plan.

Additional information on the District's Net Pension Liability can be found in Note 10 of this report.

Net OPEB Liability

At June 30, 2022, the District's Net OPEB Liability amounted to \$527,661. This constitutes their unfunded OPEB obligation as of the measurement date of the Michigan Public School Employees Retirement System Plan.

Additional information on the District's Net OPEB Liability can be found in Note 11 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The 2021-2022 year was again, a year of operating a school during a pandemic. This led to budget changes through the year as new information became available from funding sources. The original budget for the new year was made while trying to forecast state aid amounts, prior to the June 30 deadline, which was prior to the state aid amounts released. Recent fluctuations in local property tax amounts were another factor that could affect the budget that was set for the new year. Lastly, there is a continued trend of significant changes in district enrollment numbers.

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 government finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Danielle Chapman
Business Manager
Onaway Area Community Schools
4549 M-33
Onaway, MI 49765
Office Telephone (989) 733-4954

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 1,915,484
Receivables:	
Due From Other Governmental Units	820,949
Inventory:	
Supplies	24,013
Prepaid Items	88,447
Noncurrent Assets:	
Capital Assets Not Being Depreciated	20,300
Capital Assets, Net of Accumulated Depreciation	5,921,284
 Total Assets	 8,790,477
<u>Deferred Outflows of Resources</u>	
Deferred Amount on Pension Expense Related to Net Pension Liability	1,759,608
Deferred Amount on OPEB Expense Related to Net OPEB Liability	714,466
Total Deferred Outflows of Resources	2,474,074
<u>Liabilities</u>	
Accounts Payable	19,659
Due to Other Units	46,500
Interest Payable	6,825
Payroll Deductions and Withholdings	73,153
Accrued Expenses	415,956
Salaries Payable	367,949
Unearned Revenue - At Risk	51,477
Long-Term Liabilities:	
Due Within One Year	562,827
Due in More Than One Year	1,332,634
Net Pension Liability	8,177,502
Net OPEB Liability	527,661
 Total Liabilities	 11,582,143
<u>Deferred Inflows of Resources</u>	
Deferred Amount on Net Pension Liability	3,324,677
Deferred Amount on Net OPEB Liability	2,054,423
Total Deferred Inflows of Resources	5,379,100
<u>Net Position</u>	
Net Investment in Capital Assets	4,341,924
Restricted For:	
Debt Retirement	70,826
Capital Projects	128,698
Unrestricted (Deficit)	(10,238,140)
 Total Net Position	 \$ (5,696,692)

The accompanying notes to financial statements are an integral part of this statement.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Government Type Activities</u>
Instruction	\$ 4,930,238	\$ 5,450	\$ 1,780,360	\$ 0	\$ (3,144,428)
Support Services	1,724,305	0	607,327	0	(1,116,978)
Community Services	35,325	21,395	46,777	0	32,847
Athletics	148,827	14,162	0	0	(134,665)
Food Services	355,082	8,910	472,555	0	126,383
Student Activities	139,147	0	147,557	0	8,410
Interest on Long-Term Debt	<u>52,556</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(52,556)</u>
 Total	 <u>\$ 7,385,480</u>	 <u>\$ 49,917</u>	 <u>\$ 3,054,576</u>	 <u>\$ 0</u>	 <u>(4,280,987)</u>
General Revenues:					
Property Taxes, Levied for General Purposes					2,800,937
Property Taxes, Levied for Debt Purposes					526,558
State School Aid - Unrestricted					2,041,252
Investment Earnings					3,107
Miscellaneous					<u>45,518</u>
Total General Revenues					<u>5,417,372</u>
 Change in Net Position					 1,136,385
 Net Position - Beginning (Restated)					 <u>(6,833,077)</u>
 Net Position - Ending					 <u>\$ (5,696,692)</u>

The accompanying notes to financial statements are an integral part of this statement.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

BALANCE SHEET
 GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 1,576,163	\$ 339,321	\$ 1,915,484
Receivables:			
Due From Other Governmental Units	817,926	3,023	820,949
Due from Other Funds	23,146	70,093	93,239
Inventory:			
Supplies	0	24,013	24,013
Prepaid Items	88,447	0	88,447
Total Assets	\$ 2,505,682	\$ 436,450	\$ 2,942,132
<u>Liabilities</u>			
Accounts Payable	\$ 19,580	\$ 79	\$ 19,659
Due to Other Governmental Units	46,500	0	46,500
Due to Other Funds	70,093	23,146	93,239
Payroll Deductions and Withholdings	70,670	2,483	73,153
Accrued Expenditures	412,872	3,084	415,956
Salaries Payable	360,583	7,366	367,949
Unearned Revenue - At Risk	51,477	0	51,477
Total Liabilities	1,031,775	36,158	1,067,933
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - ESSER II	43,700	0	43,700
<u>Fund Equity</u>			
Fund Balances:			
Nonspendable:			
Inventory	0	24,013	24,013
Prepaid Items	88,447	0	88,447
Restricted For:			
Debt Retirement	0	70,826	70,826
Capital Projects	0	128,698	128,698
Committed To:			
Student Activities	245,579	0	245,579
Assigned To:			
Food Service	0	176,755	176,755
Unassigned	1,096,181	0	1,096,181
Total Fund Equity	1,430,207	400,292	1,830,499
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	\$ 2,505,682	\$ 436,450	\$ 2,942,132

The accompanying notes to financial statements are an integral part of this statement.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2022

Total Governmental Fund Balances		\$ 1,830,499
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at the year end consist of:</p>		
Capital Asset Cost	\$ 11,182,661	
Capital Asset Accumulated Depreciation	<u>(5,241,077)</u>	5,941,584
Accrued Interest on Long-term Liabilities		(6,825)
<p>Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:</p>		
Unavailable Revenue - ESSER II Grant		43,700
<p>Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:</p>		
Deferred Outflows of Resources from Pension Expenses Subsequent to the Measurement Date of Net Pension Liability	1,759,608	
Deferred Inflows of Resources Resulting from Net Pension Liability	(3,324,677)	
Deferred Outflows of Resources from OPEB Expenses Subsequent to the Measurement Date of Net OPEB Liability	714,466	
Deferred Inflows of Resources Resulting from Net OPEB Liability	<u>(2,054,423)</u>	(2,905,026)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:</p>		
Bonds Payable	(1,565,000)	
Compensated Absences Payable	(295,801)	
Installment Purchases Payable	(34,660)	
Net Pension Liability	(8,177,502)	
Net OPEB Liability	<u>(527,661)</u>	(10,600,624)
Total Net Position - Governmental Activities		<u>\$ (5,696,692)</u>

The accompanying notes to financial statements are an integral part of this statement.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenue</u>			
Local Sources	\$ 3,050,093	\$ 536,302	\$ 3,586,395
State Sources	3,172,376	11,092	3,183,468
Federal Sources	981,993	461,463	1,443,456
Interdistrict Sources	<u>264,846</u>	<u>0</u>	<u>264,846</u>
Total Revenue	<u>7,469,308</u>	<u>1,008,857</u>	<u>8,478,165</u>
<u>Expenditures</u>			
Current:			
Instruction	5,119,209	0	5,119,209
Support Services	1,880,899	0	1,880,899
Community Services	35,325	0	35,325
Food Services	0	349,504	349,504
Athletics	154,323	0	154,323
Student Activities	139,147	0	139,147
Capital Outlay	39,846	155,848	195,694
Debt Service:			
Principal Retirement	11,665	510,000	521,665
Interest and Fees on Long-Term Debt	<u>5,362</u>	<u>55,239</u>	<u>60,601</u>
Total Expenditures	<u>7,385,776</u>	<u>1,070,591</u>	<u>8,456,367</u>
Excess of Revenue Over (Under) Expenditures	<u>83,532</u>	<u>(61,734)</u>	<u>21,798</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In	21,446	0	21,446
Operating Transfers Out	<u>0</u>	<u>(21,446)</u>	<u>(21,446)</u>
Total Other Financing Sources (Uses)	<u>21,446</u>	<u>(21,446)</u>	<u>0</u>
Net Change in Fund Balances	104,978	(83,180)	21,798
Fund Balances - Beginning of Year (Restated)	<u>1,325,229</u>	<u>483,472</u>	<u>1,808,701</u>
Fund Balances - End of Year	<u>\$ 1,430,207</u>	<u>\$ 400,292</u>	<u>\$ 1,830,499</u>

The accompanying notes to financial statements are an integral part of this statement.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds		\$ 21,798
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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 as depreciation expense.</p>		
Depreciation Expense	\$ (361,271)	
Capital Outlay	<u>96,299</u>	(264,972)
<p>Governmental funds report district pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension or OPEB benefits earned, net of employee contributions, is reported as pension or OPEB expense. The following amounts represent the current year net changes:</p>		
Net Pension Liability	3,587,096	
Net OPEB Liability	1,305,295	
Actual Pension Contributions and the Cost of Benefits Earned, net of Employee Contributions	(684,639)	
Deferred Amounts on Net Pension Liability	(2,666,313)	
Actual OPEB Contributions and the Cost of Benefits Earned, net of Employee Contributions	(160,166)	
Deferred Amounts on Net OPEB Liability	<u>(570,622)</u>	810,651
<p>Repayment of the debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the amounts of repayments reported as expenditures in the governmental funds.</p>		
Bonds Payable	510,000	
Installment Purchases Payable	<u>11,665</u>	521,665
<p>Expenses are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds. The effects of the treatment of these activities are as follows:</p>		
Interest	2,050	
Compensated Absences	<u>1,493</u>	3,543
<p>Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide statements:</p>		
Federal Grants Receivable		<u>43,700</u>
Change in Net Position of Governmental Activities		<u>\$ 1,136,385</u>

The accompanying notes to financial statements are an integral part of this statement.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Onaway Area Community Schools (School District) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The School District is considered to be a local government unit. The following is a summary of the significant accounting policies:

A. Reporting Entity

The School District operates under an elected School Board (seven members) and provides services to students in grades K-12. The board is responsible for adopting and amending budgets and for administering the school programs in accordance with governing laws.

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District's reporting entity applies all relevant GASB pronouncements for determining the various governmental organizations to be included in the reporting entity. Onaway Area Community Schools' Board of Education (Board) is the primary government which has oversight responsibility and control over all activities related to public school education in the area served by the Onaway Area Community Schools. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. As such, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements since the Board members are a publicly elected governing body that has separate legal standing and is fiscally independent of other governmental entities.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

General Fund - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

The other governmental funds of the School District account for grants and other resources whose use is restricted for a particular purpose, and the accumulation of resources for, and the payment of debt.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the Agency as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Agency that are governmental and those that are considered business-type activities. The Agency does not currently have any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue and capital project funds and the restrictions on their net position use. Restricted assets are used first to fund appropriations before unrestricted assets are used.

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

Fund Financial Statements:

Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenue, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Revenues – Exchange and Non-exchange Transactions:

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, tuition, grants, student fees and rentals.

Deferred Outflows/Inflows 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

During the fiscal year ended June 30, 2022, investments included the Michigan Liquid Asset Fund (MILAF). MILAF is an investment pool managed by Cadre Consulting, which allows school districts within the State of Michigan to pool their funds for investment purposes. Investments in MILAF are valued at cost which equals market value.

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Receivables

Receivables generally consist of grants, state aid, and other. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

G. Due From Other Governmental Units

This represents amounts receivable from the State of Michigan and other governmental units for federal, state and local reimbursable programs.

H. Prepaid Items

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

I. Inventory – Supplies

Inventory consists of expendable supplies held for consumption. Inventory is stated at cost and recorded as an expenditure/expense in the governmental and government wide financial statements when used.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

<u>Descriptions</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 10 years
Vehicles and Buses	5 - 10 years
Software	3 - 5 years

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". These amounts are eliminated in the governmental columns of the statement of net position.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are recognized as a liability in the fund financial statements when they become due for payment.

M. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made based on accumulated sick leave and wage rates at year-end, taking into consideration limits specified in the School District's termination policy.

The entire compensated absences liability is reported on the government-wide financial statements. For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported in the governmental fund financial statements.

No liability amounts were recorded in governmental fund statements, in accordance with GASB 33, due to the fact that there was a legally enforceable document that set a date for payment of vested benefits subsequent to June 30, 2022.

N. Net Pension Liability

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

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Postemployment Benefits Other Than Pensions

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

P. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The School District reports three categories of net position as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the School District's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the School District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The School District's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expense.

Q. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal school board action—the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balance (Continued)

Assigned fund balance. This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The school board or personnel authorized by the school board have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

R. Property Taxes

The School District levies its property taxes on July 1, and various municipalities collect its property taxes and remit them to the School District through February. The delinquent real property taxes of the School District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The County sells tax notes, the proceeds of which have been used to pay the School District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

S. Foundation Revenue

The State of Michigan has adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the School District.

The state portion of the foundation allowance is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation allowance is funded primarily by non-prequalified and commercial property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October, 2021 - August, 2022. The local revenue is recognized as outlined in the preceding section of this note.

T. State Categorical Revenue

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

V. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended June 30, 2022.

W. Economic Dependency

The School District received approximately 38% of their revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

X. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Y. Budgetary Policies and Data

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds and an informational study for Capital Project Funds of school districts prior to the expenditure of monies in a fiscal year in accordance with GAAP.

Onaway Area Community Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations.
4. Appropriations lapse at year-end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

Z. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

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

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and Cash Equivalents	\$ <u>1,915,484</u>

The breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 893,958
Investments in Pooled Funds	1,021,326
Petty Cash and Cash on Hand	<u>200</u>
Total	\$ <u>1,915,484</u>

As of June 30, 2022, the School District had the following investments:

Investment Type	Fair Value	Specific Identification Maturities
Investment pools	\$ <u>1,021,326</u>	Daily

Interest Rate Risk

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

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district. As of June 30, 2022, the School District's investment in the Cadre Consulting Service, Inc. managed Michigan Liquid Asset Fund investment pool was rated AAAM by Standard & Poor's.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2022, \$602,119 of the School District's bank balance of \$991,229 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

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

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

Foreign Currency Risk

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

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of June 30, 2022 were as follows:

Due to	General Fund	Due from Non-major Governmental Funds	Total
General Fund	\$ 0	\$ 23,146	\$ 23,146
Non-major Governmental Funds	<u>70,093</u>	<u>0</u>	<u>70,093</u>
	<u>\$ 70,093</u>	<u>\$ 23,146</u>	<u>\$ 93,239</u>

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 20,300	\$ 0	\$ 0	\$ 20,300
Capital Assets Being Depreciated:				
Buildings and Improvements	9,861,884	0	0	9,861,884
Furniture, Fixtures and Equipment	366,774	96,299	0	463,073
Vehicles and Buses	837,404	0	0	837,404
Subtotal	11,066,062	96,299	0	11,162,361
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,060,168)	(259,276)	0	(4,319,444)
Furniture, Fixtures and Equipment	(302,553)	(22,853)	0	(325,406)
Vehicles and Buses	(517,085)	(79,142)	0	(596,227)
Subtotal	(4,879,806)	(361,271)	0	(5,241,077)
Capital Assets Being Depreciated	6,186,256	(264,972)	0	5,921,284
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ 6,206,556	\$ (264,972)	\$ 0	\$ 5,941,584

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

Governmental Activities

Instruction	\$ 247,596
Support Services	85,980
Community Services	1,923
Athletics	7,940
Food Services	17,832
	\$ 361,271

NOTE 6 - SHORT-TERM DEBT

The School District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit.

The following is a summary of the short-term financing:

	July 1, 2021	Increases	Decreases	June 30, 2022
State Aid Anticipation Note Payable	\$ 0	\$ 1,450,000	\$ (1,450,000)	\$ 0

The State Aid Anticipation Note was acquired to help cover School District operations for fiscal year 2022.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7 - LONG-TERM LIABILITIES

Long-term debt activity for the fiscal year ended June 30, 2022 was as follows:

A. Bonds Payable

2018 Building and Site Bonds	\$	965,000
2016 Building and Site Bonds		<u>600,000</u>
Total Bonds Payable	\$	<u><u>1,565,000</u></u>

B. Installment Purchases Payable

2011 Boiler Installment Purchase Agreement	\$	30,660
2008 Truck Installment Purchase Agreement		<u>4,000</u>
Total Installment Purchases Payable	\$	<u><u>34,660</u></u>

The annual principal and interest requirements for long-term debt outstanding for the years after June 30, 2022 are as follows:

Direct Borrowing:

Bonds Payable	Government Activities		
	Principal	Interest	Total
2023	\$ 525,000	\$ 40,950	\$ 565,950
2024	535,000	28,200	563,200
2025	250,000	15,150	265,150
2026	<u>255,000</u>	<u>7,650</u>	<u>262,650</u>
Totals	<u><u>\$ 1,565,000</u></u>	<u><u>\$ 91,950</u></u>	<u><u>\$ 1,656,950</u></u>

Installment Purchases Payable	Government Activities		
	Principal	Interest	Total
2023	\$ 11,665	\$ 977	\$ 12,642
2024	7,665	598	8,263
2025	7,665	399	8,064
2026	<u>7,665</u>	<u>199</u>	<u>7,864</u>
Totals	<u><u>\$ 34,660</u></u>	<u><u>\$ 2,173</u></u>	<u><u>\$ 36,833</u></u>

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

C. Detailed Long-Term Debt Disclosures

Direct Borrowing

2018 Building and Site Bonds

\$1,735,000 General Obligation Unlimited Tax Bonds, Series II, dated May 22, 2018 for the purpose of funding building and site improvements. The bonds bear interest at 3.00%, with interest payments due semiannually, while principal installments are due annually through fiscal year 2026. In the event of a failure of the District to comply with any provision of the agreement, any bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under the bond agreement. The sole remedy under the agreement in the event of any failure of the District to comply with the agreement shall be an action to compel performance.

2016 Building and Site Bonds

\$1,850,000 General Obligation Unlimited Tax Bonds, Series I, dated August 4, 2016 for the purpose of funding building and site improvements. The bonds bear interest at 2.00%, with interest payments due semiannually, while principal installments are due annually through fiscal year 2024. In the event of a failure of the District to comply with any provision of the agreement, any bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under the bond agreement. The sole remedy under the agreement in the event of any failure of the District to comply with the agreement shall be an action to compel performance.

2011 Boiler Installment Purchase Agreement

On August 3, 2011, the District entered into an installment purchase agreement with JP Heating of Northern Michigan in the amount of \$114,976 for the purchase of a natural gas boiler, which was subsequently assigned to Huron National Bank immediately following the purchase. The boiler has been recorded as a capital asset at its purchase price. This note is repayable in fifteen annual installments of \$7,665 including interest at a rate of 2.60% on the unpaid balance, and may not be prepaid in whole or in part prior to maturity. The District shall include in its budget and pay each year, until the agreement is paid in full, such sums necessary each year to make the requirement payments when due. Upon the occurrence of an event of default, all or part of the unpaid balance of the amount financed, together with accrued interest shall, at the option of the bank, become immediately due and payable without notice or demand.

2008 Truck Installment Purchase Agreement

On July 9, 2008, the District entered into an installment purchase agreement with Diesel Truck Sales, Inc. in the amount of \$42,000 for the purchase of a Sterling plow truck, which was subsequently assigned to the United States Department of Agriculture, Rural Development immediately following the purchase. The truck has been recorded as a capital asset at its purchase price. This note is repayable in annual installments ranging from \$3,000 to \$4,000 including interest at a rate of 4.50% on the unpaid balance. Principal payments may be prepaid by the District at any time. The District shall include in its budget during the term of the agreement an amount sufficient to pay, when due, the principal of and interest coming due under the agreement. The District pledged to levy ad valorem taxes on all taxable property in an amount which, together with other funds available for such purpose, shall be sufficient for the principal and interest payments. Should the District fail to make principal and/or interest payments at the specified times or materially breach any representation or warranty under the agreement, the assignee may declare all of the unpaid amounts of principal and accrued interest to be immediately due and payable or take whatever action at law or in equity that may appear necessary or desirable to enforce its rights under the agreement.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

D. Compensated Absences Payable

The School District has an employee benefit plan that allows employees to accumulate a limited amount of sick pay days. The amount of accumulated sick pay liability, recorded in the government-wide statements, for the School District was \$295,801 at June 30, 2022, of which \$26,162 was the estimated current portion.

E. Changes in Long-Term Liabilities

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

<u>Governmental Activities</u>	<u>Balance July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2022</u>	<u>Amount Due in One Year</u>
Direct Borrowing:					
Bonds Payable	\$ 2,075,000	\$ 0	\$ (510,000)	\$ 1,565,000	\$ 525,000
Installment Purchases Payable	46,325	0	(11,665)	34,660	11,665
Compensated Absences	<u>297,294</u>	<u>0</u>	<u>(1,493)*</u>	<u>295,801</u>	<u>26,162</u>
Total Long-Term Liabilities	<u>\$ 2,418,619</u>	<u>\$ 0</u>	<u>\$ (523,158)</u>	<u>\$ 1,895,461</u>	<u>\$ 562,827</u>

*Represents net of additions and retirements for the year.

The interest expense on long-term obligations for the year was \$52,556.

Compensated absences for the governmental funds are generally liquidated by the General and Food Service funds.

NOTE 8 - OPERATING TRANSFERS

During the year ended June 30, 2022, the following transfers were made:

<u>Transfer to</u>	<u>Transfer from</u>
	<u>Non-major Governmental Funds</u>
General Fund	\$ <u>21,446</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budget of the School District for the general fund was adopted at the functional level, and the approved budget for the special revenue funds was adopted at the activity level.

During the year ended June 30, 2022, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund/Community Services	\$ 34,509	\$ 35,325	\$ 816
General Fund/Student Activities	\$ 0	\$ 139,147	\$ 139,147

NOTE 10 - DEFINED BENEFIT PLAN

Plan Description

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

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

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

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

Benefits Provided

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

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

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PLAN (CONTINUED)

Contributions

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

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

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

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

Required contributions to the pension plan from the School District were \$1,037,107 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$8,177,502 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportionate share percent was 0.03454%, which was an increase of 0.00029% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense of \$842,027. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 126,673	\$ 48,156
Change of assumptions	515,480	0
Net difference between projected and actual earnings on pension plan investments	0	2,629,041
Changes in proportion and differences between School District contributions and proportionate share of contributions	68,095	108,026
School District contributions subsequent to the measurement date	1,049,360	0
Total	\$ 1,759,608	\$ 2,785,223

In addition to the deferred inflows of resources noted above, the District also has \$539,454 in deferred inflows related to the 147(C) UAAL Stabilization allocation from the State of Michigan at year end.

\$1,049,360 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:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future Pension Expenses)	Amount
2022	\$ (275,438)
2023	(475,281)
2024	(622,000)
2025	(702,256)
	\$ (2,074,975)

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.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PLAN (CONTINUED)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- λ Valuation Date: September 30, 2020
- λ Actuarial Cost Method: Entry Age, Normal
- λ Wage Inflation Rate: 2.75%
- λ Investment Rate of Return:
 - MIP and Basic Plans: 6.80%
 - Pension Plus Plan: 6.80%
 - Pension Plus 2 Plan: 6.00%
- λ Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- λ Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

Mortality: For retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. For active members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021 is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4367
- λ Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return On Plan Assets

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

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PLAN (CONTINUED)

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

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

Rate of Return

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

Discount Rate

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

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

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

1% Decrease*	Current Single Discount Rate Assumption*	1% Increase*
5.8% / 5.8% / 5.0%	6.8% / 6.8% / 6.0%	7.8% / 7.8% / 7.0%
\$ 11,691,610	\$ 8,177,502	\$ 5,264,076

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

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PLAN (CONTINUED)

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

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

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

At June 30, 2022, there were reported payables to MPERS of \$250,896, which accounts for the total outstanding contributions for all retirement plans, including the 147(C) UAAL Stabilization dollars.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning 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.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

Contributions

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

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

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

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.43%
Personal Healthcare Fund (PHF)	0.00	7.57

Required contributions to the OPEB plan from the School District were \$256,625 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$527,661 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.03456%, which was an increase of 0.00035% from its proportion measured as of October 1, 2020.

For the year ended June 30, 2022, the School District recognized negative OPEB expense of \$312,650. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 0	\$ 1,506,172
Changes of assumptions	441,099	66,005
Net difference between projected and actual earnings on OPEB plan investments	0	397,708
Changes in proportion and differences between School District contributions and proportionate share of contributions	68,117	84,538
School District contributions subsequent to the measurement date	205,250	0
Total	\$ 714,466	\$ 2,054,423

\$205,250 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 pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses)

	Amount
2022	\$ (414,741)
2023	(379,399)
2024	(338,922)
2025	(295,653)
2026	(102,982)
Thereafter	(13,510)
	\$ (1,545,207)

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.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- λ Valuation Date: September 30, 2020
- λ Actuarial Cost Method: Entry Age, Normal
- λ Wage Inflation Rate: 2.75%
- λ Investment Rate of Return: 6.95%
- λ Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120. Post-65: 5.25% Year 1 ygraded to 3.5% Year 15; 3.0% Year 120.

Mortality: For Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. For Active Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

λ Other Assumptions:

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

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021 is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312
- λ Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Rate of Return On Plan Assets

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

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

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

Rate of Return

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

Discount Rate

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

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

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

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 980,490	\$ 527,661	\$ 143,372

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

The following presents the School District's proportionate share of the net OPEB liability, calculated using assumed trend rates, as well as what the School District's proportionate share of 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	Current Healthcare Cost Trend Rate	1% Increase
\$ 128,429	\$ 527,661	\$ 976,846

OPEB Plan Fiduciary Net Position

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

NOTE 12 - DEFERRED COMPENSATION PLANS

The School District offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plans are held in trust, in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the School District for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the School District's financial statements.

The School District offers its employees participation in the Tax-Deferred Payments (TDP) program through MPSERS. The program, available to all full-time employees who are members of the retirement system, permits them to defer a portion of their salary until future years for the purchase of additional years of service credit. Employees are eligible to voluntarily participate from the date of employment, however once an employee begins payments in the program, they must continue until completion of the purchase of the service credit or termination of employment from Onaway Area Community Schools. Payments into the program are vested once 10 years of service credit have been earned through the MPSERS. Employee contributions to the TDP program totaled \$1,668 for the year ended June 30, 2022.

The School District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 403(b). The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participation. Employee contributions to the Section 403(b) plan totaled \$5,790 for the year ended June 30, 2022. The assets of the plan are administered and held by 403(b) ASP, a third party administrator.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 13 - DEFINED CONTRIBUTION PLAN

Plan Description

The School District's defined contribution pension plan (DC) provides retirement benefits to plan members and beneficiaries. The plan covers employees hired on or after July 1, 2010. The plan is affiliated with the Michigan Public School Employee's Retirement System (MPERS) Pension Plus Plan of Michigan. Also effective February 2013, former Basic/MIP members could elect to participate in the defined benefit contribution pension plan. Public Act 300 of 1980 of the State of Michigan, as amended, assigns the authority to establish and amend benefit provisions to the MPERS Board. The plan services are provided by The Office of Retirement Services, exclusively through ING as the plan administrator. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report may be obtained by writing to MPERS, 7150 Harris Drive, P.O. Box 30673, Lansing, Michigan 48909-8103.

Funding Policy

Prior to February 2013, the School District employees who were part of the PPP were required to contribute 2% of their earnings for the plan year, unless they elected out of the plan, subject to the limitations of sections 457 of the Internal Revenue Code. Employees could elect to contribute more than 2% in full percent increments. For employees that elected to participate, the employer would match 50% of the contribution up to 1%. Employer contributions were considered a section 401(a) contribution.

Beginning February 2013 and after, the rates vary depending on which plan the active member is a participant of. The School District employees that are part of the PPP with Premium Subsidy or a Personal Healthcare Fund (PHF) are not required to contribute. If they do contribute they can contribute in full percent increments and the employer will match 50% of the contribution up to 1%. For the PPP with PHF the employee and employer contribution is 2% for the PHF.

The following are the DC pension and PHF contribution requirements for each applicable plan option:

- For any new employees hired after September 3, 2012 that elect DC with PHF, the employer pension contribution is 3% and the employee contribution is 6%. For the PHF, both the employee and employer contribution is 2%.
- For Basic, Basic 4%, MIP-Fixed, MIP-Graded and MIP 7% plan members that elect the PHF, the employee and employer contributions are 2% for the PHF only.
- For former Basic/MIP members that elected DC with Premium Subsidy the employer contribution is 4% for the pension only. Employees are not required to contribute, but may, in 1% increments.
- For former Basic/MIP members that elected DC with a PHF, the employer contribution is 4% for the pension. Employees are not required to contribute for pension, but may, in 1% increments. Employee and employer contributions are 2% for the PHF.

Vesting

Employees become 100% vested after four years of service.

Plan Contributions

During the year ended June 30, 2022, the School District contributed \$37,376 on behalf of eligible employees. Employee contributions amounted to \$61,600 for eligible employees.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 14 - BONDED CONSTRUCTION FUND

The 2016 Construction Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the Revised School Code.

NOTE 15 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District continues to carry commercial insurance for risks of loss, including employee health and accident insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 16 - GOVERNMENTAL REGULATION

Substantially all of the School District's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the School District expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the School District. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

NOTE 17 - CONTINGENCIES

The School District participates in a number of federally assisted grant programs which are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2022, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the School District expects such amounts, if any, to be immaterial.

The School District is currently a defendant in one lawsuit. The outcome of this lawsuit is not presently determinable. The resolution of this matter is not expected to have a material adverse effect on the financial condition of the School District as the lawsuit is being handled by the School District's insurance company.

NOTE 18 - SUBSEQUENT EVENTS

Subsequent to year end, the School District approved short-term financing in the form of a State Aid Note through Citizens National Bank. The note will be issued on September 1, 2022 with a principal amount of \$1,200,000 and an interest rate of 2.21%.

NOTE 19 - PRIOR PERIOD ADJUSTMENT

The June 30, 2021 financial statements have been restated for the following adjustment:

Adjustment 1 - Errors in the documentation process related to Title I funding resulted in the District overstating the amount of revenue recognized related to that funding in prior years. Therefore, a prior period adjustment was made to correct for those errors, decreasing net position by \$19,864.

	Governmental Activities	General Fund
Net Position - Beginning	\$ (6,813,213)	\$ 1,345,093
Adjustment 1	(19,864)	(19,864)
Net Position - Beginning (Restated)	\$ (6,833,077)	\$ 1,325,229

REQUIRED SUPPLEMENTARY INFORMATION

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
(Amounts were determined as of 9/30 of the fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of net pension liability (%)	0.03454 %	0.03425 %	0.03435 %	0.03528 %	0.03526 %	0.03596 %	0.03668 %	0.03606 %
School District's proportionate share of net pension liability	\$ 8,177,502	\$ 11,764,598	\$ 11,374,697	\$ 10,604,762	\$ 9,138,311	\$ 8,972,025	\$ 8,959,764	\$ 7,943,114
School District's covered payroll	\$ 3,090,115	\$ 3,010,295	\$ 2,909,968	\$ 2,993,684	\$ 2,941,848	\$ 3,009,785	\$ 3,126,371	\$ 3,065,070
School District's proportionate share of net pension liability as a percentage of its covered payroll	264.63 %	390.81 %	390.89 %	354.24 %	310.63 %	298.10 %	286.59 %	259.15 %
Plan fiduciary net position as a percentage of pension liability	72.60 %	59.72 %	60.31 %	62.36 %	64.21 %	63.27 %	63.17 %	66.20 %

Notes to the Schedule of the School District's Proportionate Share of the Net Pension Liability:

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

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

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
(Amounts determined as of 6/30 of each year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,190,114	\$ 1,037,581	\$ 943,056	\$ 960,587	\$ 827,120	\$ 724,317	\$ 707,657	\$ 778,664
Contributions in relation to statutorily required contributions*	<u>1,190,114</u>	<u>1,037,581</u>	<u>943,056</u>	<u>960,587</u>	<u>827,120</u>	<u>724,317</u>	<u>707,657</u>	<u>778,664</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered payroll	\$ 3,248,742	\$ 3,049,507	\$ 3,012,770	\$ 3,036,615	\$ 3,985,588	\$ 2,908,368	\$ 3,126,371	\$ 3,065,070
Contributions as a percentage of covered payroll	36.63 %	34.02 %	31.30 %	31.63 %	20.75 %	24.90 %	22.64 %	25.40 %

*Contributions in relation to statutorily required pension contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

Notes to the Schedule of the School District's Pension Contributions:

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

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

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
(Amounts were determined as of 9/30 of the fiscal year)

	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>
School District's proportion of net OPEB liability (%)	0.03457 %		0.03421 %		0.03347 %		0.03530 %		0.03540 %
School District's proportionate share of net OPEB liability	\$ 527,661	\$	1,832,956	\$	2,402,464	\$	2,806,151	\$	3,134,913
School District's covered payroll (OPEB)	\$ 3,090,115	\$	3,010,295	\$	2,909,968	\$	2,993,684	\$	2,491,848
School District's proportionate share of net OPEB liability as a percentage of its covered payroll	17.08 %		60.89 %		82.56 %		93.74 %		125.81 %
Plan fiduciary net position as a percentage of total OPEB liability	87.33 %		59.44 %		48.46 %		42.95 %		36.39 %

Notes to the Schedule of the School District's Proportionate Share of the Net OPEB Liability:

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

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

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

SCHEDULE OF THE SCHOOL DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
(Amounts determined as of 6/30 of each year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 261,906	\$ 254,104	\$ 243,397	\$ 229,145	\$ 275,611
OPEB contributions in relation to statutorily required contributions*	<u>261,906</u>	<u>254,104</u>	<u>243,397</u>	<u>229,145</u>	<u>275,611</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered payroll (OPEB)	\$ 3,248,742	\$ 3,049,507	\$ 3,012,770	\$ 3,036,615	\$ 2,985,588
OPEB contributions as a percentage of covered payroll	8.06 %	8.33 %	8.08 %	7.55 %	9.23 %

*Contributions in relation to statutorily required OPEB contributions are the contributions a reporting unit actually made to the OPEB Plan, as distinct from the statutorily required contributions.

Notes to the Schedule of the School District's OPEB Contributions:

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

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

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 GENERAL FUND
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Local Sources	\$ 2,890,895	\$ 2,880,202	\$ 3,050,093	\$ 169,891
State Sources	2,728,243	3,112,510	3,172,376	59,866
Federal Sources	861,570	1,073,285	981,993	(91,292)
Interdistrict Sources	<u>262,061</u>	<u>243,635</u>	<u>264,846</u>	<u>21,211</u>
Total Revenue	<u>6,742,769</u>	<u>7,309,632</u>	<u>7,469,308</u>	<u>159,676</u>
<u>Expenditures</u>				
Current:				
Instruction	4,783,192	5,290,144	5,119,209	170,935
Support Services	1,910,267	1,967,782	1,880,899	86,883
Community Services	28,066	34,509	35,325	(816)
Athletics	136,772	173,204	154,323	18,881
Student Activities	0	0	139,147	(139,147)
Capital Outlay	280,487	118,196	39,846	78,350
Debt Service:				
Principal Retirement	10,665	11,665	11,665	0
Interest and Fees on Long-Term Debt	<u>20,116</u>	<u>5,362</u>	<u>5,362</u>	<u>0</u>
Total Expenditures	<u>7,169,565</u>	<u>7,600,862</u>	<u>7,385,776</u>	<u>215,086</u>
Excess of Revenue Over (Under) Expenditures	(426,796)	(291,230)	83,532	374,762
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	<u>0</u>	<u>0</u>	<u>21,446</u>	<u>21,446</u>
Net Change in Fund Balances	(426,796)	(291,230)	104,978	396,208
Fund Balances - Beginning of Year (Restated)	<u>1,325,229</u>	<u>1,325,229</u>	<u>1,325,229</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 898,433</u>	<u>\$ 1,033,999</u>	<u>\$ 1,430,207</u>	<u>\$ 396,208</u>

SUPPLEMENTARY INFORMATION

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2022

	<u>Special Revenue Fund</u>	<u>Debt Retirement Fund</u>	<u>Capital Projects Fund</u> 2016 Construction Fund	<u>Total Other Governmental Funds</u>
	<u>Food Service Fund</u>	<u>Debt Service Fund</u>	<u>2016 Construction Fund</u>	<u>Total Other Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 138,097	\$ 70,826	\$ 130,398	\$ 339,321
Receivables:				
Due From Other Governmental Units	3,023	0	0	3,023
Due from Other Funds	70,093	0	0	70,093
Inventory:				
Supplies	<u>24,013</u>	<u>0</u>	<u>0</u>	<u>24,013</u>
Total Assets	<u>\$ 235,226</u>	<u>\$ 70,826</u>	<u>\$ 130,398</u>	<u>\$ 436,450</u>
<u>Liabilities</u>				
Accounts Payable	\$ 79	\$ 0	\$ 0	\$ 79
Due to Other Funds	21,446	0	1,700	23,146
Payroll Deductions and Withholdings	2,483	0	0	2,483
Accrued Expenditures	3,084	0	0	3,084
Salaries Payable	<u>7,366</u>	<u>0</u>	<u>0</u>	<u>7,366</u>
Total Liabilities	<u>34,458</u>	<u>0</u>	<u>1,700</u>	<u>36,158</u>
<u>Fund Equity</u>				
Fund Balances:				
Nonspendable:				
Inventory	24,013	0	0	24,013
Restricted For:				
Debt Retirement	0	70,826	0	70,826
Capital Projects	0	0	128,698	128,698
Assigned To:				
Food Service	<u>176,755</u>	<u>0</u>	<u>0</u>	<u>176,755</u>
Total Fund Equity	<u>200,768</u>	<u>70,826</u>	<u>128,698</u>	<u>400,292</u>
Total Liabilities and Fund Equity	<u>\$ 235,226</u>	<u>\$ 70,826</u>	<u>\$ 130,398</u>	<u>\$ 436,450</u>

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	Special Revenue Fund	Debt Retirement Fund	Capital Projects Fund 2016 Construction Fund	Total Other Governmental Funds
	Food Service Fund	Debt Service Fund	2016 Construction Fund	Total Other Governmental Funds
<u>Revenue</u>				
Local Sources	\$ 9,307	\$ 526,740	\$ 255	\$ 536,302
State Sources	11,092	0	0	11,092
Federal Sources	<u>461,463</u>	<u>0</u>	<u>0</u>	<u>461,463</u>
Total Revenue	<u>481,862</u>	<u>526,740</u>	<u>255</u>	<u>1,008,857</u>
<u>Expenditures</u>				
Current:				
Food Services	349,504	0	0	349,504
Capital Outlay	506	0	155,342	155,848
Debt Service:				
Principal Retirement	0	510,000	0	510,000
Interest and Fees on Long-Term Debt	<u>0</u>	<u>55,239</u>	<u>0</u>	<u>55,239</u>
Total Expenditures	<u>350,010</u>	<u>565,239</u>	<u>155,342</u>	<u>1,070,591</u>
Excess of Revenue Over (Under) Expenditures	131,852	(38,499)	(155,087)	(61,734)
<u>Other Financing Sources (Uses)</u>				
Operating Transfers Out	<u>(21,446)</u>	<u>0</u>	<u>0</u>	<u>(21,446)</u>
Net Change in Fund Balances	110,406	(38,499)	(155,087)	(83,180)
Fund Balances - Beginning of Year	<u>90,362</u>	<u>109,325</u>	<u>283,785</u>	<u>483,472</u>
Fund Balances - End of Year	<u>\$ 200,768</u>	<u>\$ 70,826</u>	<u>\$ 128,698</u>	<u>\$ 400,292</u>

INDIVIDUAL FUND SCHEDULES

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

GENERAL FUND
 DETAILS OF REVENUE COMPARED TO BUDGET
 For the Year Ended June 30, 2022
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Local Sources</u>			
Current Property Taxes	\$ 2,779,341	\$ 2,800,937	\$ 2,761,356
Tuition	22,240	21,595	38,964
Transportation Fees	5,750	5,750	3,833
Gate Receipts	13,662	13,662	8,579
Interest on Investments	1,985	2,600	1,158
Day Care	12,436	12,801	3,499
Student Activities	0	147,557	92,617
Miscellaneous Local Sources	44,788	45,191	37,909
	<u>2,880,202</u>	<u>3,050,093</u>	<u>2,947,915</u>
<u>State Sources</u>			
State Aid Foundation Allowance	2,009,917	2,012,448	1,938,371
Isolated Districts	28,982	28,804	30,363
Special Education	163,306	163,306	95,432
At Risk	265,743	276,805	247,139
First Robotics	7,387	7,026	2,708
Early Literacy Targeted Instruction	8,135	4,857	8,430
Vocational Education	0	0	55
MPSERS UAAL Rate Stabilization	539,454	539,454	441,839
Other MPSERS State Aid	89,586	139,676	127,508
Miscellaneous State Sources	0	0	38,614
	<u>3,112,510</u>	<u>3,172,376</u>	<u>2,930,459</u>
<u>Federal Sources</u>			
Title I Part A	197,719	206,999	187,928
Title II Part A	29,149	30,175	36,512
Title IV Part A	21,931	3,235	9,255
Title V Part B	0	0	348
Child Care Stabilization Grant	26,950	26,950	0
COVID-19 Funding	797,536	714,634	437,706
	<u>1,073,285</u>	<u>981,993</u>	<u>671,749</u>
<u>Interdistrict Sources</u>			
Special Education and Other Programs	213,234	143,129	151,460
Great Start Readiness Program	30,401	109,717	110,827
Services Provided to Other Public Schools	0	12,000	250
	<u>243,635</u>	<u>264,846</u>	<u>262,537</u>
<u>Other Financing Sources</u>			
Operating Transfers In	0	21,446	10,000
Total Revenue and Other Financing Sources	<u>\$ 7,309,632</u>	<u>\$ 7,490,754</u>	<u>\$ 6,822,660</u>

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

GENERAL FUND
 DETAILS OF EXPENDITURES COMPARED TO BUDGET
 For the Year Ended June 30, 2022
With Comparative Totals for the Year Ended June 30, 2021

	<u>2022</u> Amended Budget	<u>2022</u> Actual	<u>2021</u> Actual
<u>Instruction</u>			
Basic Programs:			
Elementary			
Salaries	\$ 731,475	\$ 729,247	\$ 681,047
Employee Benefits	870,910	853,716	661,963
Purchased Services	23,921	23,921	9,739
Supplies, Materials and Other	138,772	135,480	100,632
Repairs and Maintenance	6,593	6,593	5,545
Other Expenses	<u>2,977</u>	<u>2,988</u>	<u>2,884</u>
	<u>1,774,648</u>	<u>1,751,945</u>	<u>1,461,810</u>
Junior High School			
Salaries	428,849	420,794	355,178
Employee Benefits	414,138	399,201	330,697
Purchased Services	6,490	6,490	3,729
Supplies, Materials and Other	3,711	4,224	24,564
Other Expenses	<u>1,012</u>	<u>1,033</u>	<u>1,302</u>
	<u>854,200</u>	<u>831,742</u>	<u>715,470</u>
High School			
Salaries	614,234	600,161	587,590
Employee Benefits	599,397	566,951	509,050
Purchased Services	54,680	54,882	57,966
Supplies, Materials and Other	55,240	41,787	19,500
Other Expenses	<u>2,213</u>	<u>2,244</u>	<u>2,124</u>
	<u>1,325,764</u>	<u>1,266,025</u>	<u>1,176,230</u>
Preschool			
Salaries	81,868	81,641	75,920
Employee Benefits	99,987	100,983	88,832
Purchased Services	20,270	20,270	12,666
Supplies, Materials and Other	<u>6,653</u>	<u>6,653</u>	<u>4,621</u>
	<u>208,778</u>	<u>209,547</u>	<u>182,039</u>
Summer School			
Salaries	14,559	14,559	0
Employee Benefits	5,232	5,232	0
Purchased Services	1,897	1,897	0
Supplies, Materials and Other	<u>186</u>	<u>186</u>	<u>1,172</u>
	<u>21,874</u>	<u>21,874</u>	<u>1,172</u>
 Total Basic Programs	 <u>4,185,264</u>	 <u>4,081,133</u>	 <u>3,536,721</u>

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

GENERAL FUND
 DETAILS OF EXPENDITURES COMPARED TO BUDGET
 For the Year Ended June 30, 2022
With Comparative Totals for the Year Ended June 30, 2021

	<u>2022</u> <u>Amended</u> <u>Budget</u>	<u>2022</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>
<u>Instruction (Continued)</u>			
Added Needs:			
Special Education			
Salaries	\$ 242,709	\$ 238,873	\$ 224,937
Employee Benefits	182,828	176,505	164,345
Purchased Services	9,139	9,139	6,166
Supplies, Materials and Other	<u>761</u>	<u>772</u>	<u>406</u>
	<u>435,437</u>	<u>425,289</u>	<u>395,854</u>
Compensatory Education			
Salaries	435,564	418,941	202,586
Employee Benefits	186,217	164,406	172,720
Purchased Services	25,000	7,950	21,051
Supplies, Materials and Other	<u>22,662</u>	<u>21,490</u>	<u>4,749</u>
	<u>669,443</u>	<u>612,787</u>	<u>401,106</u>
Total Added Needs	<u>1,104,880</u>	<u>1,038,076</u>	<u>796,960</u>
Total Instruction	<u>5,290,144</u>	<u>5,119,209</u>	<u>4,333,681</u>
<u>Support Services</u>			
Pupil Services:			
Pupil Support Services			
Salaries	26,031	26,031	13,605
Employee Benefits	10,170	10,170	5,006
Supplies, Materials and Other	<u>0</u>	<u>99</u>	<u>0</u>
Total Pupil Services	<u>36,201</u>	<u>36,300</u>	<u>18,611</u>
Instructional Staff:			
Instructional Improvement			
Salaries	4,444	4,251	21,585
Employee Benefits	1,740	1,672	7,724
Purchased Services	0	0	636
Supplies, Materials and Other	<u>0</u>	<u>0</u>	<u>2,327</u>
	<u>6,184</u>	<u>5,923</u>	<u>32,272</u>
Library Services			
Salaries	21,784	21,784	1,000
Employee Benefits	21,095	22,091	300
Purchased Services	2,447	2,447	268
Supplies, Materials and Other	<u>3,164</u>	<u>3,176</u>	<u>2,106</u>
	<u>48,490</u>	<u>49,498</u>	<u>3,674</u>
Total Instructional Staff	<u>54,674</u>	<u>55,421</u>	<u>35,946</u>

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

GENERAL FUND
 DETAILS OF EXPENDITURES COMPARED TO BUDGET
 For the Year Ended June 30, 2022
With Comparative Totals for the Year Ended June 30, 2021

	<u>2022</u> Amended Budget	<u>2022</u> Actual	<u>2021</u> Actual
<u>Support Services (Continued)</u>			
General Administration:			
Board of Education			
Salaries	\$ 8,173	\$ 8,173	\$ 3,360
Employee Benefits	626	626	634
Purchased Services	33,413	33,441	23,489
Supplies, Materials and Other	<u>2,752</u>	<u>2,752</u>	<u>330</u>
	<u>44,964</u>	<u>44,992</u>	<u>27,813</u>
 Executive Administration			
Salaries	61,432	61,432	118,823
Employee Benefits	48,999	48,999	86,791
Purchased Services	9,543	9,543	4,253
Supplies, Materials and Other	<u>16,092</u>	<u>15,390</u>	<u>16,166</u>
	<u>136,066</u>	<u>135,364</u>	<u>226,033</u>
 Total General Administration	<u>181,030</u>	<u>180,356</u>	<u>253,846</u>
 School Administration:			
Office of the Principal			
Salaries	290,080	287,699	265,494
Employee Benefits	181,040	174,922	164,668
Purchased Services	1,886	1,886	1,032
Supplies, Materials and Other	721	721	428
Other Expenses	<u>1,356</u>	<u>1,366</u>	<u>1,116</u>
	<u>475,083</u>	<u>466,594</u>	<u>432,738</u>
 Other Administration			
Supplies, Materials and Other	<u>3,140</u>	<u>3,241</u>	<u>2,515</u>
 Total School Administration	<u>478,223</u>	<u>469,835</u>	<u>435,253</u>
 Business:			
Business Services			
Purchased Services	<u>21,763</u>	<u>9,535</u>	<u>7,895</u>
 Fiscal Services			
Salaries	51,116	51,116	44,043
Employee Benefits	38,795	38,795	35,079
Purchased Services	3,963	3,963	3,450
Supplies, Materials and Other	1,723	1,766	937
Other Expenditures	<u>1,087</u>	<u>1,357</u>	<u>330</u>
	<u>96,684</u>	<u>96,997</u>	<u>83,839</u>
 Total Business	<u>118,447</u>	<u>106,532</u>	<u>91,734</u>

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

GENERAL FUND
 DETAILS OF EXPENDITURES COMPARED TO BUDGET
 For the Year Ended June 30, 2022
With Comparative Totals for the Year Ended June 30, 2021

	<u>2022</u> <u>Amended</u> <u>Budget</u>	<u>2022</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>
<u>Support Services</u> (Continued)			
Operations and Maintenance:			
Salaries	\$ 177,985	\$ 175,741	\$ 162,077
Employee Benefits	120,616	113,904	115,035
Purchased Services	193,890	138,087	121,778
Supplies, Materials and Other	<u>155,740</u>	<u>158,523</u>	<u>150,749</u>
	<u>648,231</u>	<u>586,255</u>	<u>549,639</u>
Transportation:			
Salaries	125,370	125,066	101,046
Employee Benefits	90,685	91,781	52,310
Purchased Services	25,954	19,907	21,329
Supplies, Materials and Other	68,957	69,099	40,606
Other Expenses	<u>572</u>	<u>572</u>	<u>656</u>
	<u>311,538</u>	<u>306,425</u>	<u>215,947</u>
Technology:			
Salaries	49,046	49,046	45,413
Employee Benefits	32,977	32,977	32,934
Purchased Services	47,740	47,752	42,972
Supplies, Materials and Other	<u>9,675</u>	<u>10,000</u>	<u>15,674</u>
	<u>139,438</u>	<u>139,775</u>	<u>136,993</u>
Total Support Services	<u>1,967,782</u>	<u>1,880,899</u>	<u>1,737,969</u>
<u>Community Services</u>			
Custody and Care of Children:			
Salaries	<u>33,200</u>	<u>33,200</u>	<u>25,962</u>
	<u>33,200</u>	<u>33,200</u>	<u>25,962</u>
Other Community Services:			
Purchased Services	0	816	2,104
Supplies, Materials and Other	<u>1,309</u>	<u>1,309</u>	<u>0</u>
	<u>1,309</u>	<u>2,125</u>	<u>2,104</u>
Total Community Services	<u>34,509</u>	<u>35,325</u>	<u>28,066</u>
<u>Athletics</u>			
Salaries	79,985	79,985	57,640
Employee Benefits	31,566	31,566	20,499
Equipment and Supplies	31,608	10,854	8,704
Purchased Services	22,808	24,471	43,416
Other Expenditures	<u>7,237</u>	<u>7,447</u>	<u>5,017</u>
Total Athletics	<u>173,204</u>	<u>154,323</u>	<u>135,276</u>

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

GENERAL FUND
 DETAILS OF EXPENDITURES COMPARED TO BUDGET
 For the Year Ended June 30, 2022
With Comparative Totals for the Year Ended June 30, 2021

	<u>2022 Amended Budget</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
<u>Student Activities</u>			
Student Activities	\$ <u>0</u>	\$ <u>139,147</u>	\$ <u>91,024</u>
<u>Capital Outlay</u>			
Support Services	<u>118,196</u>	<u>39,846</u>	<u>21,183</u>
<u>Debt Service</u>			
Principal Retirement	11,665	11,665	10,665
Interest and Fees on Long-Term Debt	<u>5,362</u>	<u>5,362</u>	<u>20,116</u>
Total Debt Service	<u>17,027</u>	<u>17,027</u>	<u>30,781</u>
Total Expenditures	<u>\$ 7,600,862</u>	<u>\$ 7,385,776</u>	<u>\$ 6,377,980</u>



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ONAWAY AREA COMMUNITY SCHOOLS
CHEBOYGAN AND PRESQUE ISLE COUNTIES, MICHIGAN

SINGLE AUDIT REPORTS
YEAR ENDED JUNE 30, 2022

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DISTRICT PREPARED DOCUMENTS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

CORRECTIVE ACTION PLAN



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September 6, 2022

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

Board of Education
Onaway Area Community Schools
Cheboygan and Presque Isle Counties, 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, the major fund and the aggregate remaining fund information of Onaway Area Community Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Onaway Area Community Schools' basic financial statements and have issued our report thereon dated September 6, 2022.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Board of Education
Onaway Area Community Schools
September 6, 2022
Page Two

Onaway Area Community Schools' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Onaway Area Community Schools' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Onaway Area Community Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Stephenson & Company, P.C.



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September 6, 2022

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

Board of Education
Onaway Area Community Schools
Cheboygan and Presque Isle Counties, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Onaway Area Community Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our Audit does not provide a legal determination of Onaway Area Community Schools' compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Onaway Area Community Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered it necessary in the circumstances.
- Obtain an understating of Onaway Area Community Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Onaway Area Community Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Onaway Area Community Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Onaway Area Community Schools' basic financial statements. We issued our report thereon dated September 6, 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 the purposes of additional analysis as required by the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stephenson & Company, P.C.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Summary of Auditors' Results

1. The auditors' report expresses unmodified opinions on the financial statements of Onaway Area Community Schools.
2. One material weakness in internal control relating to the audit of the financial statements is reported in the 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*.
3. No instances of noncompliance material to the financial statements of Onaway Area Community Schools, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses relating to the audit of internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Onaway Area Community Schools expresses an unmodified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for Onaway Area Community Schools are reported in this schedule.
7. The programs tested as major programs included: Covid 19 - EFS Section 1 - Elementary and Secondary Education ALN 84.425
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Onaway Area Community Schools does not qualify as a low-risk auditee.

Findings - Financial Statement Audit

2022-001

Financial Statement Preparation

Condition and Criteria: Accounting principles require personnel of Onaway Area Community Schools to have the knowledge to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. Onaway Area Community Schools' personnel prepare financial information throughout the year to assess the operations and the financial condition of the District. However, prior to closing the fiscal year, journal entries material to the financial statements, were proposed by their Independent Audit Firm. Also, the District relies on their Independent Audit Firm to assist in reporting the annual financial report in accordance with Generally Accepted Accounting Principles.

Effect: As a result, the District is considered to have a material weakness, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the District would not be in a position to detect the errors or omissions.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Findings - Financial Statement Audit (Continued)

2022-001

Financial Statement Preparation (Continued)

Cause: The District relies on their Independent Audit Firm to assist in reporting the annual financial report in accordance with GAAP as well as propose material journal entries to the financial statements.

Context: Onaway Area Community Schools has individuals on staff to review the financial report to ensure it is accurate, and the financial information reflects the recording of the proposed entries. However, the individuals do not review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles.

Auditors' Recommendation: We recommend that Management and those charged with governance evaluate and document their decision on the cost and benefits of whether to contract for this service with their Independent Audit Firm.

Views of Responsible Officials and Planned Corrective Actions: The District understands the risk of having the auditors prepare the financial statements and has determined to accept this risk as they feel the benefit outweighs the risk itself. However, the District mitigates this risk by striving to not have any adjusting journal entries proposed by the auditor at year end. In addition, the 2022 PPC Governmental Disclosure Checklist is received and reviewed by the Business Manager and the Business Manager also uses the 2005 Governmental Accounting, Auditing and Financial Reporting – Using the GASB 34 Model (commonly known as the “Blue Book”), to assist with the disclosures required for the financial statements.

Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings or questioned costs related to the major federal award program audit for the year ended June 30, 2022.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal ALN	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2022
<u>U.S. Department of Agriculture</u>							
Passed through Michigan Department of Education							
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
Food Distribution for National Lunch Program:							
55030 Entitlement Commodities	10.555	\$ 27,074	\$ 0	\$ 0	\$ 27,074	\$ 27,074	\$ 0
Cash Assistance:							
Seamless Summer Option (SSO) - Breakfast							
211971 2020-2021	10.553	15,647	0	0	15,647	15,647	0
221971 2021-2022		138,426	0	0	138,426	138,426	0
		<u>154,073</u>	<u>0</u>	<u>0</u>	<u>154,073</u>	<u>154,073</u>	<u>0</u>
Seamless Summer Option (SSO) - After School Snack							
211980 2020-2021	10.555	694	0	0	694	694	0
221980 2021-2022		8,090	0	0	8,090	8,090	0
		<u>8,784</u>	<u>0</u>	<u>0</u>	<u>8,784</u>	<u>8,784</u>	<u>0</u>
Seamless Summer Option (SSO) - Lunch							
211961 2020-2021	10.555	25,905	0	0	25,905	25,905	0
221961 2021-2022		227,173	0	0	227,173	227,173	0
		<u>253,078</u>	<u>0</u>	<u>0</u>	<u>253,078</u>	<u>253,078</u>	<u>0</u>
Supply Chain Management							
220910 2021-2022	10.555	14,251	0	0	14,251	14,251	0
Summer Food Service Program For Children:							
Extended SFSP Operating:							
210904 2020-2021	10.559	227,030	258,777	35,950	4,203	40,153	0
<i>Cash Assistance Subtotal</i>							
		<u>657,216</u>	<u>258,777</u>	<u>35,950</u>	<u>434,389</u>	<u>470,339</u>	<u>0</u>
Total Child Nutrition Cluster		<u>684,290</u>	<u>258,777</u>	<u>35,950</u>	<u>461,463</u>	<u>497,413</u>	<u>0</u>
Passed through Michigan Department of Education							
COVID-19 - State Pandemic Electronic Benefit Transfer (P-EBT)							
210980 2020-2021	10.649	614	0	0	614	614	0
Total U.S. Department of Agriculture		<u>684,904</u>	<u>258,777</u>	<u>35,950</u>	<u>462,077</u>	<u>498,027</u>	<u>0</u>

The accompanying notes are an integral part of this schedule.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal <u>ALN</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2021</u>	Current Year <u>Expenditures</u>	Current Year Receipts <u>(Cash Basis)</u>	Accrued (Deferred) Revenue <u>June 30, 2022</u>
<u>U.S. Department of Education</u>							
Passed through Michigan Department of Education							
Title I							
Title I - Grants to Local Educational Agencies:							
Part A Imp Basic Pro 211530 2021	84.010	\$ 200,496	\$ 177,226	\$ 48,451	\$ 0	\$ 48,451	\$ 0
Part A Imp Basic Pro 221530 2122		218,388	0	0	206,999	150,662	56,337
		<u>418,884</u>	<u>177,226</u>	<u>48,451</u>	<u>206,999</u>	<u>199,113</u>	<u>56,337</u>
Passed through Michigan Department of Education							
Title IIA:							
Improving Teacher Quality 210520 2021	84.367A	44,138	35,771	18,474	2,379	20,853	0
Improving Teacher Quality 220520 2022		33,742	0	0	27,796	3,613	24,183
		<u>77,880</u>	<u>35,771</u>	<u>18,474</u>	<u>30,175</u>	<u>24,466</u>	<u>24,183</u>
Passed through Michigan Department of Education							
Title IV Part A:							
Student Support & Academic Enrichment 210750 2021	84.424	12,150	8,915	3,759	3,235	6,994	0
Passed through Michigan Department of Education							
COVID-19 - GEER Funding							
201200 2021	84.425C	35,513	0	11,744	0	11,744	0
2011202 2122		7,500	0	0	7,500	7,500	0
		<u>43,013</u>	<u>0</u>	<u>11,744</u>	<u>7,500</u>	<u>19,244</u>	<u>0</u>
Passed through Michigan Department of Education							
COVID-19 - ESSER Funding							
213710 1920 ESSER I	84.425D	129,949	129,949	31,204	0	31,204	0
223712 2021 ESSER II		667,724	56,280	56,280	481,565	459,945	77,900
213722 2021 ESSER II Summer Programming K-8		18,700	0	0	18,700	0	18,700
213752 2021 ESSER II Before & After School Program		25,000	0	0	25,000	0	25,000
223713 2122 ESSER III		1,500,680	0	0	224,955	203,308	21,647
		<u>2,342,053</u>	<u>186,229</u>	<u>87,484</u>	<u>750,220</u>	<u>694,457</u>	<u>143,247</u>
Total U.S. Department of Education		<u>2,893,980</u>	<u>408,141</u>	<u>169,912</u>	<u>998,129</u>	<u>944,274</u>	<u>223,767</u>
<u>U.S. Department of Health and Human Services</u>							
Passed through Michigan Department of Education							
COVID-19 - ARP Child Care Relief Funds:							
Child Care Sustainability Grant - Fall 2021	93.575	26,950	0	0	26,950	26,950	0
Child Care Sustainability Grant - Spring 2022		29,150	0	0	0	29,150	(29,150)
		<u>56,100</u>	<u>0</u>	<u>0</u>	<u>26,950</u>	<u>56,100</u>	<u>(29,150)</u>
Total Federal Financial Awards		<u>\$ 3,634,984</u>	<u>\$ 666,918</u>	<u>\$ 205,862</u>	<u>\$ 1,487,156</u>	<u>\$ 1,498,401</u>	<u>\$ 194,617</u>

The accompanying notes are an integral part of this schedule.

ONAWAY AREA COMMUNITY SCHOOLS
Cheboygan and Presque Isle Counties, Michigan
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Note 1 - Basis of Presentation

A. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Onaway Area Community Schools 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 Onaway Area Community Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Onaway Area Community Schools.

Note 2 - Summary of Significant Accounting Policies

- A. The Schedule of Expenditures of Federal Awards is a summary of the cash activity of the Organization's federal awards and does not present transactions that would be included in financial statements of the Organization presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.
- B. Expenditures on this schedule reconcile with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
- C. The amounts reported on the R7120, Grants Section Auditors' Report, reconcile with this schedule.
- D. The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with this schedule for USDA donated food commodities and are reported in the Cash Receipts column.
- E. Expenditures include spoilage or pilferage.
- F. Onaway Area Community Schools did not elect to use a flat de minimis rate of 10% of modified total direct costs for their indirect cost rate.

Note 3 - Reconciliation to financial statements:

General Fund	\$ 981,993
Special Revenue Funds:	
Food Service Fund	<u>461,463</u>
Federal Revenue Presented in the Financial Statements	1,443,456
Accounts receivable for the year ended June 30, 2022 received more than 60 days after year-end and to be recognized as federal revenue in fiscal year June 30, 2023 financial statements:	
213722 2021 ESSER II Summer Programming K-8	18,700
213752 2021 ESSER II Before & After School Program	<u>25,000</u>
Federal Revenue on the Schedule of Expenditures of Federal Awards	<u>\$ 1,487,156</u>



Onaway Area Community School



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Working together to prepare students for life.

Go Cardinals!!

Summary Schedule of Prior Year Audit Findings:

Findings – Financial Statements Audit

2021-001 Financial Statement Preparation Control

Finding: District personnel prepare financial information to assess the operations and financial condition of the District. However, the District relies on their Independent Audit Firm to assist in reporting the annual financial report in accordance with GAAP.

Year of Initial Occurrence: June 30, 2020

Status: Situation still exists and is included as a current year finding at 2022-001.

2021-002 Incorrect Grant Coding

Finding: Multiple areas were noted where incorrect funding source codes were used for various expenditure, resulting in some grants being overdrawn and others being underdrawn.

Year of Initial Occurrence: June 30, 2021

Status: Significant progress was noted during the audit in this area, and this finding has been decreased from a material noncompliance finding to written management comment in the management letter.

Findings and Questioned Costs – Major Federal Award Programs Audit

There were no findings related to major federal award programs which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2021.



Onaway Area Community School



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Corrective Action Plan 2021-2022 Fiscal Year

2022-001 – Financial Statement Preparation Controls

Condition: In conjunction with our audit, the District contracted for the preparation of the financial statements and related disclosures based on the information the District provides. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the District's financial statements. However, if at any point in the audit the auditors are part of the District's control system for producing reliable financial statements, auditing standards indicate that the District has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. The effect of this material weakness is that reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles (GAAP) and the District would not be in a position to detect the errors or omissions.

Corrective Action: The District has evaluated this situation and determined that the efficiency of contracting for this service outweighs the risks associated with outsourcing this reporting. However, the District will strive towards less adjusting journal entries being necessary at year end.

Contact Person Responsible for Corrective Action: Business Manager, Danielle Chapman

Anticipated Completion Date: None



Stephenson & Company, P.C.
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA
Robert J. Morand, CPA
Brenden A. Stephenson, CPA/PFS, CFP®
Cynthia R. Scott, CPA, CFE

September 6, 2022

Management and the Board
Onaway Area Community Schools
4549 M-33
Onaway, MI 49765

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Onaway Area Community Schools for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 27, 2022. Professional standards also require that we communicate to you the following information related to our audit. The appendices to this letter set forth those communications as follows:

I Communication with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the School District during the audit and met with management on August 5, 2022. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of management, the Board of Education, others within the District and the Michigan Department of Education and are not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

Stephenson & Company, P.C.

APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Significant Audit Matters

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Onaway Area Community Schools are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, Onaway Area Community Schools changed accounting policies related to Leases, by adopting statement of *Governmental Accounting Standards* (GASB Statement) No 87, "Leases", in 2022. We noted no transactions entered into by Onaway Area Community Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Onaway Area Community Schools' financial statements were:

Management's estimate of the Net Pension Liability and the Net OPEB Liability are based on the actuarial valuations audited by the Auditor General. We evaluated the key factors and assumptions used to develop the Net Pension Liability and the Net OPEB Liability in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate, to the financial statements as a whole, and material misstatements provided to management on September 6, 2022, were corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 6, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

APPENDIX I
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Other Matters

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

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

APPENDIX II MANAGEMENT COMMENTS

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Onaway Area Community Schools as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Onaway Area Community Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Onaway Area Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Onaway Area Community Schools' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the following deficiency in internal control to be a material weakness:

FINANCIAL STATEMENT PREPARATION CONTROLS

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of Onaway Area Community Schools' financial statements. However, if at any point in the audit we as auditors are part of Onaway Area Community Schools' control system for producing reliable financial statements, auditing standards indicate that Onaway Area Community Schools has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. The effect of this material weakness is that reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles (GAAP) and the School District would not be in a position to detect the errors or omissions. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, or other matters, that is an opportunity for strengthening internal controls and operating efficiency.

GRANT CODING

The Michigan Department of Education (MDE) Audit Manual requires that the accounting information submitted to the MDE, which would include the Financial Information Database (FID) and Final Expenditure Report (FER), be accurate and true representations of the expenditures for each project, by funding source code. During the current year testing, we found multiple areas where incorrect funding source codes were used for various expenditures. While we noted no material overages in amounts charged to grants after completion of the FER, we did note discrepancies between the ending trial balances and the FERs. We would like to note that while we did see improvements in this area over the prior year, we recommend that management continue verifying the accuracy of the coding of each transaction, documenting such coding on each invoice, and that management then compare the trial balance to the individual grant draws, each time a draw is made, prior to completing the trial balance for the audit, and prior to completing the annual FER.

**APPENDIX II
MANAGEMENT COMMENTS**

SEGREGATION OF DUTIES

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The following items were noticed related to segregation of duties:

- The Business Office is not performing a reconciliation of athletic gate receipts to ensure completeness of deposits. It was noted that the gatekeepers are recording the total cash collections and signing the cash count sheet.
- The Business Office is not performing a reconciliation of activity fund receipts to ensure completeness of deposits. While these activities are minimal for each activity group, overall, a significant number of activities are occurring.
- Verification of the completeness of Day Care deposits by an independent party is not occurring. Additionally, all invoices and payments related to the Day Care are being tracked manually and not through an electronic system, increasing the risk of calculation errors.

We recommend that the Business Office implement procedures to verify that the completeness of deposits is assured in all three areas and that the District consider migrating the Day Care data to an electronic system, such as QuickBooks software.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision Not To Implement</u>	<u>Progress Made</u>	<u>No Progress Made</u>
Financial Statement Preparation Controls		X		
Grant Coding			X	
Segregation of Duties				X