



**CALEDONIA COMMUNITY SCHOOLS
KENT COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Caledonia Community Schools
Caledonia, Michigan

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules of proportionate share of net pension and OPEB liabilities and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, MI
October 7, 2022

Management's Discussion and Analysis

**Caledonia Community Schools
Management's Discussion and Analysis
June 30, 2022**

This section of Caledonia Community Schools (the "School District"), Kent County, Michigan's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2022. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2022.

Financial Highlights

- The liabilities and deferred inflows of the School District exceeded its assets and deferred outflows at the close of this fiscal year by \$79,956,662 (shown as a deficit *net position*). The School District had a deficit *unrestricted net position* of \$(103,608,977).
- Revenues of \$77,976,679 exceeded expenses of \$67,755,931 leading to an increase in net position of \$10,220,748 during the year.
- During the year, the School District's fund balances decreased by \$8,602,765, for an ending fund balance of \$67,306,322.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,854,396, or 12.9% of the general fund's total expenditures and transfers out. Fund balance of the general fund *decreased* by \$1,176,281 during the year.

Overview of the Financial Statements

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

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

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary

information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund as well as schedules showing the School District's funding status of its pension and OPEB retirement plans.

District-wide Financial Statements

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

The two district-wide statements report the School District's net position, and how they have changed. Net position – the difference between the School District's assets, deferred outflows and inflows, and liabilities - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one should consider additional non-financial factors such as changes in the School District's property tax-base and the condition of school buildings and other facilities.

In the district-wide financial statements, the School District's activities are presented as governmental activities. *Governmental activities* include the School District's basic services, such as regular and special education, instructional support, transportation, administration, community services, food service, and athletics. State aid and property taxes finance most of these activities.

Financial Analysis of the School District as a Whole

The School District's cash and investments increased by \$3,793,093 primarily as a result of an increase in net position during the year net of increased spending on capital projects during the year. Receivables increased by \$783,844 as a result of the timing of year-end collections related to ESSER funds. Prepaid items increased by \$451,489 due to the inclusion of the July 2022 health insurance payment made in June 2022 that was not prepaid in the prior year. Capital assets increased by \$11,855,611 consisting of \$16,815,292 in additions less depreciation expense of \$4,959,681. Accounts payable decreased by \$4,797,606 due to the timing of invoices related to the continuing building project in the prior year. Accrued payroll and related benefits increased by \$1,707,132 caused by an increase in payroll dates to accrue during the fiscal year along with improved calculation methods for accrued benefits. As a result of better market conditions, pension assets and OPEB assets each earned 27% during the most recent actuarial valuation. This resulted in a decrease in net pension liability of \$35,181,358, a decrease in deferred outflows related to the pension of \$8,496,294, and an increase in deferred inflows related to the pension of \$25,018,136. Similarly, this resulted in a decrease in net OPEB liability of \$11,591,921, a decrease in deferred outflows related to the OPEB of \$1,645,741, and an increase in deferred inflows related to the OPEB of \$4,979,472. The schedule on the following page summarizes the Schools net position for each of the past two fiscal years.

Caledonia Community School's Net Position

ASSETS	2022	2021
<i>Current Assets</i>		
Cash and investments	\$ 64,087,780	\$ 60,294,687
Receivables	8,949,983	8,166,139
Prepaid items	1,200,588	749,099
<i>Total Current Assets</i>	74,238,351	69,209,925
<i>Noncurrent Assets</i>		
Capital assets, net	127,429,919	115,574,308
<i>Total Assets</i>	201,668,270	184,784,233
DEFERRED OUTFLOWS OF RESOURCES		
Charges from bond refundings	997,058	1,196,111
OPEB related	6,830,400	8,476,141
Pension related	11,101,863	19,598,157
<i>Total Deferred Outflows of Resources</i>	18,929,321	29,270,409
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	1,331,745	6,129,351
Accrued payroll and related benefits	4,403,315	2,696,183
Accrued interest	982,124	1,074,293
Unearned revenue	1,196,969	1,680,834
Current portion of compensated absences	68,660	72,440
Current portion of long-term debt	12,081,737	11,912,295
<i>Total Current Liabilities</i>	20,064,550	23,565,396
<i>Noncurrent Liabilities</i>		
Net OPEB liability	4,663,514	16,255,435
Net pension liability	72,031,190	107,212,548
Compensated absences	1,304,546	1,376,353
State school bond loan	9,799,390	5,180,543
Long-term debt	147,885,782	135,834,104
<i>Total Liabilities</i>	255,748,972	289,424,379
DEFERRED INFLOWS OF RESOURCES		
OPEB related	18,714,890	13,735,418
Pension related	26,090,391	1,072,255
<i>Total Deferred Inflows of Resources</i>	44,805,281	14,807,673
NET POSITION		
Net investment in capital assets	20,430,226	13,638,175
Restricted	3,222,089	1,350,179
Unrestricted	(103,608,977)	(105,165,764)
<i>Total Net Position</i>	\$ (79,956,662)	\$ (90,177,410)

The results of the fiscal year's operations for the School District as a whole are presented in the statement of activities, which shows the change in total net position for the year:

Caledonia Community School's Changes in Net Position

Revenues	2022	2021
Program Revenues		
Charges for services	\$ 2,221,140	\$ 1,370,136
Operating grants and contributions	21,392,050	19,210,418
Total Program Revenues	23,613,190	20,580,554
General Revenues		
Property taxes	23,716,152	22,356,242
Unrestricted state sources	30,550,350	32,102,679
Interest and investment earnings	96,987	96,391
Total General Revenues	54,363,489	54,555,312
Total Revenues	77,976,679	75,135,866
Expenses		
Instruction	32,595,540	39,401,656
Supporting services	19,526,580	20,234,083
Food services	2,940,849	2,341,030
Athletics	1,180,352	1,121,184
Community services	1,527,887	2,026,089
Interest on long-term debt	5,025,042	5,091,124
Unallocated depreciation	4,959,681	4,831,622
Total Expenses	67,755,931	75,046,788
Change in Net Position	10,220,748	89,078
<i>Net Position at Beginning of Period</i>	<i>(90,177,410)</i>	<i>(90,266,488)</i>
Net Position at End of Period	\$ (79,956,662)	\$ (90,177,410)

Charges for services increased by \$851,004 as a result of resumed food service sales and general activities. Operating grants and contributions increased \$2,181,632 as the School District received restricted COVID-19 grant funding. Property taxes increased by \$1,359,910 as the School District's taxable value increased. Unrestricted state sources decreased by \$1,552,329 due to a one-time unrestricted COVID-19 grant funding provided in the prior year.

Changes within expenses for the School District were largely caused by the changes in net pension liability, net OPEB liability, and their related deferrals.

Fund Financial Statements

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

The School District utilizes *governmental funds* within this report. Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the district-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Financial Analysis of the School District's Funds

The School District uses funds to record and analyze financial information. The School District has three major funds.

The ***general fund*** is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,854,396. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 12.9% of total general fund expenditures and transfers out.

The fund balance of the School District's general fund decreased by \$1,176,281 for a total fund balance of \$9,042,721. The decrease was primarily caused by an increase in instruction and supporting services expenditures due to resumed activities within the School District.

The ***debt service fund***, a major fund, had an increase of \$1,048,636 in fund balance for an ending balance of \$1,435,153. The increase in fund balance was contributed by a revolving loan of \$4,476,781 that occurred during the year.

The ***2020 capital projects fund***, a major fund, had a decrease of \$13,982,183 in fund balance during the year, entirely a result of the school building and site project and related improvement expenditures of \$14,002,764.

The ***2021 building and site bonds fund***, a major fund, had an increase of \$21,338,796 in fund balance during the year, entirely a result of the school building and site project and related general obligation bonds issued of \$24,040,000.

General Fund Budgetary Highlights

During the year the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations.

Original budget compared to final budget. There were two significant amendments made to the original budget for either the original estimated revenues or the original appropriated expenditures: local sources revenue increased from \$10,440,440 to \$11,877,804 to account for the increased

property taxes collected due to the increased taxable value of the School District whereas instructional staff expenditures increased from \$1,626,029 to \$2,261,802 to account for the increased labor costs related to instruction services. As mentioned above, the original budget was amended during the year as actual results needed adjusting from the original budgeted estimates.

Final budget compared to actual results. The School District had the following minor expenditure in excess of the amount appropriated during the year ended June 30, 2022:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Basic programs	\$ 30,381,193	\$ 30,565,295	\$ (184,102)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2022, the School District had \$127,429,919 invested in capital assets, a 10.3% increase in the amount reported from the prior year. This net increase of \$11,855,611 consisted of capital asset purchases of \$16,815,292 less depreciation expense of \$4,959,681.

The School District's current year major purchases consisted of \$15,431,075 for the building and site construction projects.

More detailed information about the School District's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt

At year-end, the School District had total long-term debt of \$169,766,909, up from \$152,926,942 in the prior year.

- The School District issued \$4,618,847 of the School Loan Revolving Fund loan payable.
- The School District continued to pay down its debt, retiring \$10,480,000 of outstanding bonds and loans during the year.
- The School District's other long-term obligations are for accumulated sick/vacation leave in the amount of \$1,373,206.

The State limits the amount of general obligation debt that schools can issue. The School District is well under the State limit as of June 30, 2022.

More detailed information about the School District's long-term debt can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budget and Rates

The School District estimates that approximately \$63.6 million of revenues will be available for appropriation in the general fund in the upcoming budget. The School District continues to review all budget line items for opportunities to reduce expenditures when possible while providing an excellent education to the district it serves. The budget will be monitored during the year to identify any necessary amendments.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Business Department
Caledonia Community Schools
9753 Duncan Lake Ave.
Caledonia, MI 49316

Basic Financial Statements

Caledonia Community Schools
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets</i>	
Cash and investments	\$ 64,087,780
Receivables	8,949,983
Prepaid items	1,200,588
Total Current Assets	<u>74,238,351</u>
<i>Noncurrent Assets</i>	
Capital assets not being depreciated	5,225,087
Capitals assets being depreciated, net	122,204,832
Total Assets	<u>201,668,270</u>
DEFERRED OUTFLOWS OF RESOURCES	
Charges from bond refundings	997,058
OPEB related	6,830,400
Pension related	11,101,863
Total Deferred Outflows of Resources	<u>18,929,321</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	1,331,745
Accrued payroll	2,464,527
Accrued benefits	1,938,788
Accrued interest	982,124
Unearned revenue	1,196,969
Current portion of compensated absences	68,660
Current portion of long-term debt	12,081,737
Total Current Liabilities	<u>20,064,550</u>
<i>Noncurrent Liabilities</i>	
Net OPEB liability	4,663,514
Net pension liability	72,031,190
Compensated absences	1,304,546
State school bond loan	9,799,390
Long-term debt	147,885,782
Total Liabilities	<u>255,748,972</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB related	18,714,890
Pension related	26,090,391
Total Deferred Inflows of Resources	<u>44,805,281</u>
NET POSITION	
Net investment in capital assets	20,430,226
<i>Restricted for:</i>	
Debt service	1,435,153
Food service	1,786,936
<i>Unrestricted</i>	(103,608,977)
Total Net Position	<u>\$ (79,956,662)</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Caledonia Community Schools
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 32,595,540	\$ --	\$ 10,920,606	\$ --	\$ (21,674,934)
Supporting services	19,526,580	1,071,537	6,446,891	--	(12,008,152)
Community services	1,527,887	489,627	81,791	--	(956,469)
Food services	2,940,849	250,851	3,942,662	--	1,252,664
Athletics	1,180,352	409,125	100	--	(771,127)
Interest and charges on long-term debt	4,798,637	--	--	--	(4,798,637)
Depreciation (unallocated)	4,959,681	--	--	--	(4,959,681)
Bond issuance costs	226,405	--	--	--	(226,405)
Total Governmental Activities	\$ 67,755,931	\$ 2,221,140	\$ 21,392,050	\$ --	(44,142,741)

General Purpose Revenues:

Unrestricted state sources	30,550,350
Interest and investment earnings	96,987
Property taxes, levied for general operations	10,770,100
Property taxes, levied for debt service	12,946,052
Total General Revenues	54,363,489
Change in Net Position	10,220,748
<i>Net Position at Beginning of Period</i>	<i>(90,177,410)</i>
Net Position at End of Period	\$ (79,956,662)

The Notes to the Financial Statements are an integral part of these Financial Statements

**Caledonia Community Schools
Balance Sheet
Governmental Funds
June 30, 2022**

		<u>Debt Service</u>	<u>Capital Projects</u>			
	<u>General</u>	<u>Debt Service</u>	<u>2020 Capital Projects</u>	<u>2021 Building and Site Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ 5,458,420	\$ 1,434,819	\$ 31,155,820	\$ 21,657,440	\$ 4,381,281	\$ 64,087,780
Receivables	8,878,465	334	35,467	16,284	19,433	8,949,983
Prepaid items	1,188,325	--	--	--	12,263	1,200,588
Due from other funds	46,194	--	--	--	850,374	896,568
Total Assets	\$ 15,571,404	\$ 1,435,153	\$ 31,191,287	\$ 21,673,724	\$ 5,263,351	\$ 75,134,919
LIABILITIES						
Accounts payable	\$ 337,960	\$ --	\$ 559,315	\$ 334,928	\$ 99,542	\$ 1,331,745
Accrued payroll	2,464,527	--	--	--	--	2,464,527
Accrued benefits	1,938,788	--	--	--	--	1,938,788
Unearned revenue	937,034	--	--	--	259,935	1,196,969
Due to other funds	850,374	--	--	--	46,194	896,568
Total Liabilities	6,528,683	--	559,315	334,928	405,671	7,828,597
FUND BALANCE						
Nonspendable	1,188,325	--	--	--	12,263	1,200,588
Restricted	--	1,435,153	30,631,972	21,338,796	1,786,936	55,192,857
Committed	--	--	--	--	3,058,481	3,058,481
Unassigned	7,854,396	--	--	--	--	7,854,396
Total Fund Balance	9,042,721	1,435,153	30,631,972	21,338,796	4,857,680	67,306,322
Total Liabilities and Fund Balance	\$ 15,571,404	\$ 1,435,153	\$ 31,191,287	\$ 21,673,724	\$ 5,263,351	\$ 75,134,919

The Notes to the Financial Statements are an integral part of these Financial Statements

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

Total Fund Balance - Governmental Funds	\$ 67,306,322
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement. This amount represents capital assets of \$225,950,723 less accumulated depreciation of \$98,520,804.	127,429,919
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(982,124)
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.	997,058
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This amount represents the sum of bonds payable (including bond premiums and discounts) of \$159,967,519, compensated absences of \$1,373,206, and the school loan payable of \$9,799,390.	(171,140,115)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(87,019,718)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(16,548,004)
Total Net Position - Governmental Activities	\$ <u>(79,956,662)</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Caledonia Community Schools
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

		<u>Debt Service</u>	<u>Capital Projects</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>2020 Capital Projects</u>	<u>2021 Building and Site Bonds</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Revenues						
Local sources	\$ 11,895,933	\$ 13,033,837	\$ 20,581	\$ (17,728)	\$ 1,104,605	\$ 26,037,228
State sources	40,759,983	--	--	--	200,149	40,960,132
Federal sources	2,439,225	--	--	--	3,814,388	6,253,613
Interdistrict	4,725,706	--	--	--	--	4,725,706
Total Revenues	<u>59,820,847</u>	<u>13,033,837</u>	<u>20,581</u>	<u>(17,728)</u>	<u>5,119,142</u>	<u>77,976,679</u>
Expenditures						
Instruction	36,085,269	--	--	1,351,852	--	37,437,121
Supporting services	21,637,137	--	--	--	423,528	22,060,665
Community services	44,583	--	--	--	319,641	364,224
Non-public schools services	1,311,586	--	--	--	--	1,311,586
Food services	--	--	--	--	2,948,809	2,948,809
Athletics	1,293,553	--	--	--	--	1,293,553
Child care	--	--	--	--	281,937	281,937
Capital outlay	--	--	14,002,764	1,198,634	396,430	15,597,828
Debt service - principal	--	10,480,000	--	--	--	10,480,000
Debt service - interest and charges	--	5,981,982	--	--	--	5,981,982
Debt service - bond issuance costs	--	--	--	226,405	--	226,405
Total Expenditures	<u>60,372,128</u>	<u>16,461,982</u>	<u>14,002,764</u>	<u>2,776,891</u>	<u>4,370,345</u>	<u>97,984,110</u>
Excess of Revenues Over (Under) Expenditures	<u>(551,281)</u>	<u>(3,428,145)</u>	<u>(13,982,183)</u>	<u>(2,794,619)</u>	<u>748,797</u>	<u>(20,007,431)</u>
Other Financing Sources (Uses)						
Revolving loan	--	4,476,781	--	--	--	4,476,781
General obligation bonds issued	--	--	--	24,040,000	--	24,040,000
Premium on bonds issued	--	--	--	93,415	--	93,415
Transfers in	25,000	--	--	--	650,000	675,000
Transfers out	(650,000)	--	--	--	(25,000)	(675,000)
Net Other Financing Sources (Uses)	<u>(625,000)</u>	<u>4,476,781</u>	<u>--</u>	<u>24,133,415</u>	<u>625,000</u>	<u>28,610,196</u>
Net Change in Fund Balance	<u>(1,176,281)</u>	<u>1,048,636</u>	<u>(13,982,183)</u>	<u>21,338,796</u>	<u>1,373,797</u>	<u>8,602,765</u>
Fund Balance at Beginning of Period	<u>10,219,002</u>	<u>386,517</u>	<u>44,614,155</u>	<u>--</u>	<u>3,483,883</u>	<u>58,703,557</u>
Fund Balance at End of Period	<u>\$ 9,042,721</u>	<u>\$ 1,435,153</u>	<u>\$ 30,631,972</u>	<u>\$ 21,338,796</u>	<u>\$ 4,857,680</u>	<u>\$ 67,306,322</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Caledonia Community Schools
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	8,602,765
--	----	-----------

The statement of net position reports the net pension liability and pension related deferrals related to the net pension liability as pension expense. However, the expenditures recorded on the governmental funds equals actual pension contributions.		1,666,928
--	--	-----------

Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		75,587
--	--	--------

In the statement of activities, interest and bond discounts and premiums are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest, bond premiums and discounts, and deferred charges from bond refundings.		1,231,996
---	--	-----------

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount represents capital outlay of \$16,815,292 less depreciation expense of \$4,959,681.		11,855,611
--	--	------------

The statement of net position reports the net OPEB liability and OPEB related deferrals related to the net OPEB liability as OPEB expense. However, the expenditures recorded on the governmental funds equals actual OPEB contributions.		4,966,708
---	--	-----------

Repayments of principal on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.		10,480,000
---	--	------------

Issuance of long-term debt are other financing sources in the governmental funds, but the issuance increases long-term liabilities in the statement of net position.		(28,658,847)
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Changes in Net Position - Governmental Activities	\$	<u>10,220,748</u>
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Notes to the Financial Statements

Caledonia Community Schools

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Caledonia Community Schools (the “School District” or “government”) conform to generally accepted accounting principles as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District’s significant accounting policies are described below:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the School District does not contain any component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. The district-wide statements report *governmental activities*, which normally are supported by taxes and intergovernmental revenues.

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

Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

Caledonia Community Schools

Notes to the Financial Statements

recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

Revenues susceptible to accrual are property taxes, state aid, federal, and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School District reports the following major funds:

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 ***debt service fund*** is used to record tax, interest income, other revenue for the payment of principal, debt service interest, and other expenditures related to bond issues.

The ***2020 capital projects fund*** is used to account for bond proceeds specifically designed for the remodeling and improvements of facilities.

The ***2021 building and site bonds fund*** is used to account for bond proceeds specifically designed for the remodeling and improvements of facilities.

Additionally, the School District reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, and leases) principal, interest, and related costs.

Capital projects funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Caledonia Community Schools

Notes to the Financial Statements

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level for special revenue funds and the department level for the general fund. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be reappropriated and honored during the subsequent year.

Property Taxes

Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. Assessed values are established annually by the various governmental units within the School District and are equalized by the State of Michigan.

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

Cash and Cash Equivalents

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

State statutes and School District policy authorize the School District to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Caledonia Community Schools

Notes to the Financial Statements

- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Caledonia Community Schools

Notes to the Financial Statements

Capital Assets

Capital assets, which include land, outside site improvements, buildings and additions, furniture and other equipment, and vehicles are reported in the district-wide financial statements. Assets having a useful life in excess of five years and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, furniture and equipment and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Buildings and additions	20 - 50 years
Buses and other vehicles	5 - 10 years
Furniture and other equipment	5 - 10 years
Outside site improvements	10 - 20 years

Pension

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of*

Caledonia Community Schools

Notes to the Financial Statements

resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the: 1) pension and other postemployment benefits related items reporting in the district-wide statement of net position and 2) deferred charges associated with bond refundings. These amounts are expensed in the year in which they apply.

Deferred Inflows of Resources

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

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for the employee health insurance premiums for the months of July and August. The School District pays these insurances for this period as part of the compensation for services rendered in the preceding school year.

Compensated Absences

School District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave accumulate from year to year at varying rates, depending on the employees' applicable rate of pay and/or employment category. The liability for compensated absences includes salary-related payments.

In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the district-wide financial statements.

Caledonia Community Schools

Notes to the Financial Statements

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payable are reported at the total amount of bonds issued.

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

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The School District itself can

Caledonia Community Schools

Notes to the Financial Statements

establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Unassigned fund balance is the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated. The School District's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the department level. The approved budgets of the School District for these budgeted funds were also adopted at the department level.

Excess of expenditures over appropriations in budgeted funds – The School District had the following expenditure in excess of the amount appropriated as of June 30, 2022:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Basic programs	\$ 30,381,193	\$ 30,565,295	\$ (184,102)

Caledonia Community Schools

Notes to the Financial Statements

District-wide Deficit

The School District has an unrestricted net position deficit for district-wide activities in the amount of \$(103,608,977) as of June 30, 2022. The primary cause for the unrestricted net position deficit is the School District's net pension liability and net OPEB liability.

Capital Projects Fund Compliance

The 2020 capital projects fund and 2021 building and site bonds 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 State of Michigan's Revised School Code.

Note 3 - Cash and Investments

The School District maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts. Following is a reconciliation of deposit and investment balances as of June 30, 2022:

Statement of Net Position

Cash and investments	<u>\$ 64,087,780</u>
Deposits and Investments	
Checking and savings accounts	\$ 11,274,520
Pooled investments (MILAF)	<u>52,813,260</u>
<i>Total Deposits and Investments</i>	<u>\$ 64,087,780</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be returned. State law does not require, and the School District does not have a policy for deposit custodial credit risk. As of year-end, \$11,320,589 of the School District's bank balance of \$11,570,589 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School District believes it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. For an investment, custodial credit risk 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. In order to minimize this risk, School District policy limits the types of investments and pre-qualifies financial institutions. As of June 30, 2022, none of the School District's investments were exposed to risk since the securities are held in the School District's name by the counterparty. The School

Caledonia Community Schools

Notes to the Financial Statements

District's investments consisted of the Michigan Liquid Asset Fund in the amount of \$52,813,260, as of June 30, 2022.

Credit Risk. State law limits investments to specific government securities, certificates of deposits, and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The School District's investment policy does not have specific limits in excess of state law on investment credit risk. The School District's only investment, the Michigan Liquid Asset Fund, is rated AAAM by the S&P with a fair market value of \$52,813,260.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The School District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The School District has no investments with maturities.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the School District's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The School District's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a % of the total investment portfolio. All investments held at year-end are reported above.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

- | | |
|----------|--|
| Level 1: | Quoted prices in active markets for identical securities. |
| Level 2: | Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others. |
| Level 3: | Prices determined using significant unobservable inputs. Unobservable |

Caledonia Community Schools

Notes to the Financial Statements

inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

As of June 30, 2022, the fair value measurements of investments were limited to the Michigan Liquid Asset Fund assets with a fair market value of \$52,813,260 and were all classified as Level 2.

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances as of June 30, 2022 consisted of fund receivables and payables listed below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 850,374
General Fund	Nonmajor governmental funds	46,194
<i>Total</i>		<u>\$ 896,568</u>

Interfund balances resulted primarily from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The following schedule summarizes the operating transfers during the year:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Food Services	\$ 25,000
Public Improvement	General Fund	650,000
<i>Total</i>		<u>\$ 675,000</u>

The \$25,000 interfund transfer was an eligible reimbursement from the food service fund to the general fund for indirect costs incurred by the general fund on behalf of the food service fund. The \$650,000 interfund transfer was intended for current and future capital purchases within the public improvement fund.

Note 5 - Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue

Caledonia Community Schools

Notes to the Financial Statements

include charges for services payments received prior to meeting all eligibility requirements in the amount of \$1,196,969.

Note 6 - State of Michigan School Aid

The School District reports State of Michigan school aid in the fiscal year in which the School District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided approximately 52.5% of the total revenues to the School District during the 2022 fiscal year.

Note 7 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated:				
Land	\$ 3,837,340	\$ -	\$ -	\$ 3,837,340
Construction in progress	7,818,637	1,387,747	(7,818,637)	1,387,747
Subtotal	11,655,977	1,387,747	(7,818,637)	5,225,087
Capital Assets Being Depreciated:				
Buildings and additions	160,646,589	21,861,965	-	182,508,554
Buses and other vehicles	4,040,557	257,858	(283,306)	4,015,109
Furniture and equipment	27,113,457	1,126,359	-	28,239,816
Outside site improvements	5,962,157	-	-	5,962,157
Subtotal	197,762,760	23,246,182	(283,306)	220,725,636
Less Accumulated Depreciation:				
Buildings and additions	62,958,553	4,036,569	-	66,995,122
Buses and other vehicles	2,451,379	216,934	(283,306)	2,385,007
Furniture and equipment	25,477,433	266,532	-	25,743,965
Outside site improvements	2,957,064	439,646	-	3,396,710
Subtotal	93,844,429	4,959,681	(283,306)	98,520,804
Capital Assets Being Depreciated, Net	103,918,331	18,286,501	-	122,204,832
Capital Assets, Net	\$ 115,574,308	\$ 19,674,248	\$ (7,818,637)	\$ 127,429,919

Depreciation expense for the fiscal year amounted to \$4,959,681. The School District determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

Note 8 - Long-term Debt

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school

Caledonia Community Schools

Notes to the Financial Statements

district. Other long-term obligations include accumulated severance pay and accrued compensated absences.

General obligation direct placement bonds consist of:

2014 Bonds due in amounts ranging from \$625,000 through \$2,075,000 plus interest at 2.5% - 5.0% through 2044	\$ 32,275,000
2020 Refunding Bonds due in amounts ranging from \$2,000,000 through \$4,470,000 plus interest at 2.24% through 2026	8,940,000
2015 Refunding Bonds due in amounts ranging from \$500,000 through \$3,365,000 plus interest at 5.00% through 2025	13,285,000
2016 Refunding Bonds, Series A, due in amounts ranging from \$5,795,000 through \$1,900,000 plus interest at 5.0% through 2032	20,420,000
2016 Refunding Bonds, Series B, due in amounts ranging from \$5,775,000 through \$1,820,000 plus interest 2.2% through 2023	5,775,000
2020 School Building and Site Bonds, Series I, due in amounts ranging from \$910,000 through \$2,350,000 plus interest at 4.0% through 2050	43,250,000
2021 School Building and Site Bonds, Series II, due in amounts ranging from \$500,000 through \$1,440,000 plus interest at 1.50 - 4.0% through 2050	24,040,000
<i>Total general obligation bonded debt</i>	<u>\$147,985,000</u>

Caledonia Community Schools

Notes to the Financial Statements

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Placement Bonds Payable					
2014 Bonds	\$ 33,175,000	\$ -	\$ (900,000)	\$ 32,275,000	\$ 950,000
2013 Refunding Bonds	1,755,000	-	(1,755,000)	-	-
2020 Refunding Bonds	10,940,000	-	(2,000,000)	8,940,000	-
2015 Refunding Bonds	16,265,000	-	(2,980,000)	13,285,000	3,190,000
2016 Refunding Bonds, Series A	20,420,000	-	-	20,420,000	-
2016 Refunding Bonds, Series B	7,695,000	-	(1,920,000)	5,775,000	5,775,000
2020 School Building and Site Bonds, Series I	44,175,000	-	(925,000)	43,250,000	1,000,000
2021 School Building and Site Bonds, Series II	-	24,040,000	-	24,040,000	-
Total Direct Placement Bonds	<u>134,425,000</u>	<u>24,040,000</u>	<u>(10,480,000)</u>	<u>147,985,000</u>	<u>10,915,000</u>
School Loan Revolving Fund (SLRF), including interest	5,180,543	4,618,847	-	9,799,390	-
Total Bonds and SLRF	<u>\$139,605,543</u>	<u>\$ 28,658,847</u>	<u>\$ (10,480,000)</u>	<u>\$157,784,390</u>	<u>\$ 10,915,000</u>
Bond Premiums and Discounts					
Premiums	\$ 13,748,117	\$ 93,415	\$ (1,496,015)	\$ 12,345,517	\$ 1,203,349
Discounts	(426,718)	-	63,720	(362,998)	(36,612)
Deferred Charges from Bond Refundings	(1,196,111)	-	199,053	(997,058)	(199,053)
Total Premiums, Discounts, and Deferred Charges	<u>\$ 12,125,288</u>	<u>\$ 93,415</u>	<u>\$ (1,233,242)</u>	<u>\$ 10,985,461</u>	<u>\$ 967,684</u>
Compensated Absences	<u>\$ 1,448,793</u>	<u>\$ -</u>	<u>\$ (75,587)</u>	<u>\$ 1,373,206</u>	<u>\$ 68,660</u>

Annual debt service requirements, exclusive of compensated absences and bond premiums and discounts, for long-term debt outstanding as of June 30, 2022 follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 10,915,000	\$ 5,892,745	\$ 16,807,745
2024	11,160,000	5,512,919	16,672,919
2025	12,110,000	4,964,919	17,074,919
2026	12,160,000	4,491,501	16,651,501
2027	4,725,000	4,060,060	8,785,060
2028-2032	25,950,000	17,134,096	43,084,096
2033-2037	20,050,000	12,255,912	32,305,912
2038-2042	24,095,000	7,933,312	32,028,312
2043-2047	19,970,000	3,311,436	23,281,436
2048-2050	6,850,000	553,000	7,403,000
Totals:	<u>\$ 147,985,000</u>	<u>\$ 66,109,900</u>	<u>\$ 214,094,900</u>

Accumulated unpaid compensation for termination leave pay as of June 30, 2022 has been computed and recorded in the financial statements as a long-term liability as the liability is expected to be liquidated from future financial resources. At present, eligible School District employees are entitled to a termination leave payment based on their unused absence days at current pay rate and eligible teachers and certain administrators are entitled to supplemental retirement stipends according to guidelines set forth by the School District. As of June 30, 2022,

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the accumulated liability (expected to be financed by general fund resources) amounted to \$1,373,206.

2020 Refunding Bonds

On January 7, 2020, the School District issued refunding bonds for \$13,000,000 known as the 2020 Refunding Bonds (General Obligation – Unlimited Tax). The proceeds were used to retire the 2010 Refunding Bonds (\$4,060,000) and the balance due on the School Loan Revolving Fund loan (\$8,839,000). The 2020 refunding bonds mature in the 2026 fiscal year with annual principal payments ranging from \$2,060,000 - \$4,470,000 and has an interest rate range of 1.78-2.25%. The refunding is expected to save the School District approximately \$1,107,412 over the course of the 2020 refunding bond life with an economic gain of approximately \$879,093.

Note 9 - Pension 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

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ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

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

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

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

<u>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</u>
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 \$9,135,319 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$72,031,190 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30,

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2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.30424 percent, which was a decrease of 0.00786 percent from its proportion measured as of September 30, 2020.

For the year ending June 30, 2022, the School District recognized pension expense of \$8,224,456. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 1,115,794	\$ 424,178
Changes of assumptions	4,540,589	-
Net difference between projected and actual earnings on pension plan investments	-	23,157,796
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,365,545	2,508,417
Employer contributions subsequent to the measurement date	4,079,935	-
Total	\$ 11,101,863	\$ 26,090,391

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

Plan Year Ended September 30	Amount:
2022	\$ (1,907,435)
2023	(4,384,549)
2024	(6,274,641)
2025	(6,501,838)

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

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liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80% net of investment expenses
- Pension Plus Plan:	6.80% net of investment expenses
- Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active 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 period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4367
- Recognition period for assets in years: 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.

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Long-term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0	9.1
International Equity 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)
Total	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 (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to

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determine the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate

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

Pension		
1% Decrease	Current Single Discount Rate Assumption	1% Increase
(Non-Hybrid/Hybrid)	(Non-Hybrid/Hybrid)	(Non-Hybrid/Hybrid)
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$102,985,067	\$72,031,190	\$46,368,396

* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.

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.

Note 10 - 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

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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.

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

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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.

Benefit Structure	Member	Non-Universities
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 \$2,268,072 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$4,663,514 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 0.30553%, which was an increase of 0.00210% from its proportion measured as of October 1, 2020.

For the year ending June 30, 2022, the School District recognized OPEB expense of \$(2,483,796).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 13,311,669
Changes of assumptions	3,898,466	583,356
Net difference between projected and actual earnings on pension plan investments	-	3,514,975
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,247,340	1,304,890
Employer contributions subsequent to the measurement date	1,684,594	-
Total	\$ 6,830,400	\$ 18,714,890

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

Plan Year Ended September 30	Amount:
2022	\$ (3,392,515)
2023	(3,114,069)
2024	(2,979,053)
2025	(3,032,691)
2026	(928,883)
Thereafter	(121,873)

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.

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%, net of investment expenses
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 graded to 3.5% year 15; 3.0% year 120

Mortality:

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

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

Other Assumptions:

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

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

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual 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
- Recognition period for assets in years: 5.0000

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

Long-term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
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)
Total	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 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

Caledonia Community Schools

Notes to the Financial Statements

all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate

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

Other Postemployment Benefits		
1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$8,665,651	\$4,663,514	\$1,267,129

Sensitivity of the School District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

Other Postemployment Benefits		
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$1,135,062	\$4,663,514	\$8,633,447

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 11 - 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; and natural disasters for which the School District carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Caledonia Community Schools

Notes to the Financial Statements

Note 12 - Contingent Liabilities

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

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City of Kentwood and the Township of Caledonia. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2022, the School District's operating property tax revenues were reduced by \$627,906 and the debt service property tax revenues were reduced by \$293,976 under these programs. Operating revenues not paid to the district because of tax abatement agreements are reimbursed to the district by the State of Michigan through the per-pupil foundation allowance.

Note 14 - Subsequent Events and Commitments

The School District has committed \$39,756,220 for projects using the 2020 and 2021 bond issuances through year-end. As of June 30, 2022, the balance of the construction commitments was \$23,581,611 (net of approved project changes and construction payments).

The Administration and Board of Education is not aware of any other subsequent events that would have a significant impact on the financial condition of the School District.

Required Supplementary Information

Caledonia Community Schools
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Local sources	\$ 10,440,440	\$ 11,877,804	\$ 11,895,933	\$ 18,129
State sources	41,986,039	41,696,906	40,759,983	(936,923)
Federal sources	1,769,148	2,419,015	2,439,225	20,210
Interdistrict	4,505,349	4,561,343	4,725,706	164,363
Total Revenues	58,700,976	60,555,068	59,820,847	(734,221)
Other Financing Sources				
Transfers in	--	--	25,000	25,000
Total Revenues and Other Financing Sources	58,700,976	60,555,068	59,845,847	(709,221)
Expenditures				
Instruction				
Basic programs	30,984,681	30,381,193	30,565,295	(184,102)
Added needs	5,684,019	5,557,681	5,519,974	37,707
Total instruction	36,668,700	35,938,874	36,085,269	(146,395)
Supporting services				
Pupil	4,000,226	4,005,055	3,934,148	70,907
Instructional staff	1,626,029	2,261,802	1,630,467	631,335
General administration	5,130,395	5,461,052	5,382,063	78,989
Operations and maintenance	5,513,080	5,562,427	5,312,231	250,196
Transportation	3,468,952	3,895,727	3,661,986	233,741
Central services	1,574,180	1,777,200	1,716,242	60,958
Total supporting services	21,312,862	22,963,263	21,637,137	1,326,126
Community services	47,179	64,632	44,583	20,049
Non-public school services	1,245,429	1,314,200	1,311,586	2,614
Athletics	1,321,679	1,367,498	1,293,553	73,945
Total Expenditures	60,595,849	61,648,467	60,372,128	1,276,339
Other Financing Uses				
Transfers out	--	650,000	650,000	--
Total Expenditures and Other Financing Uses	60,595,849	62,298,467	61,022,128	1,276,339
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,894,873)	(1,743,399)	(1,176,281)	567,118
Net Change in Fund Balance	(1,894,873)	(1,743,399)	(1,176,281)	567,118
Fund Balance at Beginning of Period	10,219,002	10,219,002	10,219,002	--
Fund Balance at End of Period	\$ 8,324,129	\$ 8,475,603	\$ 9,042,721	\$ 567,118

Caledonia Community Schools
Schedule of School District's Proportionate Share of Net Pension Liability
Michigan Public School Employee Retirement Plan
Last Eight Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Portion of Net Pension Liability (%)	0.30424%	0.31211%	0.31531%	0.29956%	0.29807%	0.29569%	0.28574%	0.27493%
School District's Proportionate Share of Net Pension Liability	\$ 72,031,190	\$ 107,212,548	\$ 104,420,571	\$ 90,054,205	\$ 77,243,119	\$ 73,774,301	\$ 69,791,385	\$ 60,557,132
School District's Covered Payroll	\$ 27,706,107	\$ 26,935,296	\$ 28,501,784	\$ 25,731,211	\$ 24,927,686	\$ 25,366,089	\$ 24,807,775	\$ 24,738,965
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	259.98%	398.04%	366.37%	349.98%	309.87%	290.84%	281.33%	244.78%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Caledonia Community Schools
Schedule of School District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last Eight School District Fiscal Years (Amounts determined as of June 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	\$ 9,135,319	\$ 8,577,139	\$ 8,376,373	\$ 8,157,179	\$ 4,523,200	\$ 4,616,300	\$ 4,424,300	\$ 5,494,350
Contributions in Relation to Statutorily Required Contributions	<u>9,135,319</u>	<u>8,577,139</u>	<u>8,376,373</u>	<u>8,157,179</u>	<u>4,523,200</u>	<u>4,616,300</u>	<u>4,424,300</u>	<u>5,494,350</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 28,243,044	\$ 27,144,925	\$ 27,281,897	\$ 28,061,597	\$ 25,353,000	\$ 25,917,500	\$ 25,293,000	\$ 25,101,600
Contributions as a Percentage of Covered Payroll	32.35%	31.60%	30.70%	29.07%	17.84%	17.81%	17.49%	21.89%

Caledonia Community Schools
Schedule of School District's Proportionate Share of Net OPEB Liability
Michigan Public School Employee Retirement Plan
Last Five Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.30553%	0.30343%	0.32580%	0.30202%	0.29849%
School District's Proportionate Share of Net OPEB Liability	\$ 4,663,514	\$ 16,255,435	\$ 23,384,993	\$ 24,007,601	\$ 26,433,528
School District's Covered Payroll	\$ 27,706,107	\$ 26,935,296	\$ 28,501,784	\$ 25,731,211	\$ 24,927,686
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	16.83%	60.35%	82.05%	93.30%	106.04%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	87.33%	59.44%	48.46%	42.95%	36.39%

Caledonia Community Schools
Schedule of School District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last Five School District Fiscal Years (Amounts determined as of June 30 of each year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 2,268,072	\$ 2,143,792	\$ 2,236,957	\$ 1,960,415	\$ 1,938,600
Contributions in Relation to Statutorily Required Contributions	<u>2,268,072</u>	<u>2,143,792</u>	<u>2,236,957</u>	<u>1,960,415</u>	<u>1,938,600</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 28,243,044	\$ 27,144,925	\$ 27,281,897	\$ 28,061,597	\$ 25,353,000
Contributions as a Percentage of Covered Payroll	8.03%	7.90%	8.20%	6.99%	7.65%

Combining and Individual Fund Statements and Schedules

**Caledonia Community Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	Community Services	Child Care	Food Services	Student Activity Fund	Public Improvement	
ASSETS						
Cash and investments	\$ 150,208	\$ 145,088	\$ 1,163,606	\$ 505,412	\$ 2,416,967	\$ 4,381,281
Receivables	--	--	2,456	16,977	--	19,433
Prepaid items	--	1,173	--	11,090	--	12,263
Due from other funds	--	--	850,362	12	--	850,374
<i>Total Assets</i>	\$ 150,208	\$ 146,261	\$ 2,016,424	\$ 533,491	\$ 2,416,967	\$ 5,263,351
LIABILITIES						
Accounts payable	\$ --	\$ --	\$ 99,542	\$ --	\$ --	\$ 99,542
Unearned revenue	29,662	100,327	129,946	--	--	259,935
Due to other funds	43,609	2,585	--	--	--	46,194
<i>Total Liabilities</i>	73,271	102,912	229,488	--	--	405,671
FUND BALANCE						
Nonspendable	--	1,173	--	11,090	--	12,263
Restricted	--	--	1,786,936	--	--	1,786,936
Committed	76,937	42,176	--	522,401	2,416,967	3,058,481
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	76,937	43,349	1,786,936	533,491	2,416,967	4,857,680
<i>Total Liabilities and Fund Balance</i>	\$ 150,208	\$ 146,261	\$ 2,016,424	\$ 533,491	\$ 2,416,967	\$ 5,263,351

Caledonia Community Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	<u>Special Revenue</u>				<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Community Services</u>	<u>Child Care</u>	<u>Food Services</u>	<u>Student Activity Fund</u>	<u>Public Improvement</u>	
Revenues						
Local sources	\$ 311,856	\$ 178,020	\$ 250,851	\$ 363,462	\$ 416	\$ 1,104,605
State sources	--	--	200,149	--	--	200,149
Federal sources	--	71,875	3,742,513	--	--	3,814,388
Total Revenues	<u>311,856</u>	<u>249,895</u>	<u>4,193,513</u>	<u>363,462</u>	<u>416</u>	<u>5,119,142</u>
Expenditures						
Supporting services	--	--	--	388,577	34,951	423,528
Community services	319,641	--	--	--	--	319,641
Food services	--	--	2,948,809	--	--	2,948,809
Child care	--	281,937	--	--	--	281,937
Capital outlay	--	--	396,430	--	--	396,430
Total Expenditures	<u>319,641</u>	<u>281,937</u>	<u>3,345,239</u>	<u>388,577</u>	<u>34,951</u>	<u>4,370,345</u>
Excess of Revenues Over (Under) Expenditures	<u>(7,785)</u>	<u>(32,042)</u>	<u>848,274</u>	<u>(25,115)</u>	<u>(34,535)</u>	<u>748,797</u>
Other Financing Sources (Uses)						
Transfers in	--	--	--	--	650,000	650,000
Transfers out	--	--	(25,000)	--	--	(25,000)
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(25,000)</u>	<u>--</u>	<u>650,000</u>	<u>625,000</u>
Net Change in Fund Balance	<u>(7,785)</u>	<u>(32,042)</u>	<u>823,274</u>	<u>(25,115)</u>	<u>615,465</u>	<u>1,373,797</u>
Fund Balance at Beginning of Period	<u>84,722</u>	<u>75,391</u>	<u>963,662</u>	<u>558,606</u>	<u>1,801,502</u>	<u>3,483,883</u>
Fund Balance at End of Period	<u>\$ 76,937</u>	<u>\$ 43,349</u>	<u>\$ 1,786,936</u>	<u>\$ 533,491</u>	<u>\$ 2,416,967</u>	<u>\$ 4,857,680</u>



**CALEDONIA COMMUNITY SCHOOLS
KENT COUNTY, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2022**

Caledonia Community Schools
Schedule of Expenditures of Federal Awards
June 30, 2022

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Federal CFDA Number</i>	<i>Program or Award Amount</i>	<i>Accrued Revenue at July 1, 2021</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2022</i>
U.S. Department of Agriculture:						
<i>Passed Through Michigan Department of Education:</i>						
Child Nutrition Cluster:						
211961 National School Lunch Program-SSO Lunch	10.555	\$ 351,678	\$ -	\$ 351,678	\$ 351,678	\$ -
221961 National School Lunch Program-SSO Lunch	10.555	2,245,973	-	2,245,973	2,245,973	335,276
221960 National School Lunch Program-SSO Lunch	10.555	3,090	-	3,090	3,090	-
211965 National School Lunch Program-Emergency Operations	10.555	2,761	-	2,761	2,761	-
211971 National School Lunch Program-SSO Breakfast	10.553	107,153	-	107,153	107,153	-
221971 National School Lunch Program-SSO Breakfast	10.553	797,865	-	797,865	797,865	37,001
221970 National School Lunch Program-SSO Breakfast	10.553	1,508	-	1,508	1,508	-
210904 National School Lunch Program-Extended SFSP	10.559	229,762	120,930	108,833	108,833	-
220910 Food Service Supply Chain Grant	10.555	95,459	-	95,459	29,627	(65,832)
Entitlement Commodities - 2022	10.555	90,962	-	90,962	90,962	-
Total Child Nutrition Cluster		3,926,211	120,930	3,805,282	3,739,450	306,445
210980 Pandemic EBT Local Level Costs	10.649	3,063	-	3,063	3,063	-
Total U.S. Department of Agriculture		3,929,274	120,930	3,808,345	3,742,513	306,445
U.S. Department of Education:						
Title I, Part A - Educationally Deprived						
211530 2021	84.010	251,699	49,417	49,417	-	-
221530 2122	84.010	134,865	-	113,579	134,427	20,848
Total Title I, Part A		386,564	49,417	162,996	134,427	20,848
Title II, Part A - Improving Teacher Quality State Grants						
210520 2021	84.367	76,043	19,903	19,903	-	-
220520 2122	84.367	121,320	-	-	40,385	40,385
Total Title II, Part A		197,363	19,903	19,903	40,385	40,385
Title IV, Part A - Student Support and Academic Enrichment						
210750 2021	84.424	18,990	18,990	18,990	-	-
220750 2122	84.424	17,289	-	-	17,289	17,289
Total Title IV, Part A		36,279	18,990	18,990	17,289	17,289
ESSER						
203710 1920 - ESSER I Formula	84.425	216,144	32	32	-	-
211202 2122 - GEER II Teacher & Support Staff Payments	84.425C	14,750	-	11,500	11,500	-
213742 2122 - ESSER II Credit Recovery	84.425D	83,600	-	49,160	49,160	-
213752 2122 - ESSER II Extended Learning	84.425D	25,000	-	22,914	22,914	-
213712 2021 - ESSER II Formula	84.425D	740,628	-	-	740,628	740,628
213713 2122 - ARP/ESSER III Formula	84.425U	1,664,532	-	45,334	45,334	45,334
213213 2122 - ARP/ESSER III 11t Equalization	84.425U	3,825,224	-	5,184	5,184	5,184
Total ESSER		6,569,878	32	134,124	874,720	791,146
Total Passed Through Michigan Department of Education		11,119,358	209,272	4,144,358	4,809,334	1,176,113
Total U.S. Department of Education (Passed through Michigan Department of Ed)		7,190,084	88,342	336,013	1,066,821	869,668

See Notes to the Schedule of Expenditures of Federal Awards

Caledonia Community Schools
Schedule of Expenditures of Federal Awards
June 30, 2022

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Federal CFDA Number</i>	<i>Program or Award Amount</i>	<i>Accrued Revenue at July 1, 2021</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2022</i>
U.S. Department of Education:						
<i>Passed Through Kent ISD:</i>						
Child Care Relief Fund Grant						
Child Care Relief Fund Grant	93.575	162,650	-	71,875	71,875	-
Individuals with Disabilities Education ACT (IDEA) - Special Education Cluster						
210450 - 2021	84.027	1,089,627	180,551	180,551	-	-
220450 - 2122	84.027	1,101,184	-	768,639	1,101,184	332,545
210460 - 2021	84.173	45,051	6,322	6,322	-	-
220460 - 2122	84.173	45,849	-	34,597	45,849	11,252
221285 - 2122	84.173	11,384	-	-	11,384	11,384
221280 - 2122	84.027	132,434	-	-	132,434	132,434
Total IDEA / Special Education Cluster		2,425,529	186,873	990,109	1,290,851	487,615
Title III, Part A - English Language Acquisition State Grants						
200580 2021	84.365	10,276	10,276	10,276	-	-
200580 2122	84.365	10,234	-	-	10,234	10,234
Total Title III, Part A		20,510	10,276	10,276	10,234	10,234
Title III, Part A - English Language Acquisition State Grants						
09320 2122 McKinney - Vinto Homeless	84.196A	1,471	-	1,471	1,573	102
Total U.S. Department of Education (Passed through Kent ISD)		2,610,160	197,149	1,073,731	1,374,533	497,951
U.S. Department of Health and Human Services:						
<i>Passed Through Kent ISD:</i>						
Healthcare Resource Advocates Grant						
222810 2022	93.323	52,829	-	-	52,829	52,829
21-22 Medicaid Outreach	93.778	16,917	-	16,917	16,917	-
Total U.S. Department of Health and Human Services		69,746	-	16,917	69,746	52,829
Total Federal Financial Assistance		\$ 13,799,264	\$ 406,421	\$ 5,235,006	\$ 6,253,613	\$ 1,726,893

See Notes to the Schedule of Expenditures of Federal Awards

Caledonia Community Schools

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the School District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

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

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

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

The School District has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2022 that is not included on the schedule of expenditures of federal awards.

Caledonia Community Schools

Notes to the Schedule of Expenditures of Federal Awards

Note 4 - Reconciliation to the Schedule of Expenditures of Federal Awards

The federal revenues reported in the fund financial statements of \$6,253,613 is equal to the federal expenditures reported in the schedule of expenditures of federal awards.

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

To the Board of Education
Caledonia Community Schools
Caledonia, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caledonia Community Schools (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 7, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI
October 7, 2022

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

To the Board of Education
Caledonia Community Schools
Caledonia, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Caledonia Community School's (the "School") 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 the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI
October 7, 2022

**Caledonia Community Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Education Stabilization Fund	84.425
Special Education Cluster (IDEA)	84.027 and 84.173
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS
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No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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No matters were reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No prior year matters were reported.

October 7, 2022

To the Board of Education
Caledonia Community Schools
Caledonia, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caledonia Community Schools (the "School District") 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 OMB 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 July 26, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There were no new accounting policies adopted during the fiscal year ended June 30, 2022. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension and other post-employment benefits are based on historical trends and industry standards.

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 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 the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated October 7, 2022.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedule, 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 individual and combining fund statements, along with the schedule of expenditures of federal awards, 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.

Restriction on Use

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

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI