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# Saline Area Schools

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**Financial Report  
with Supplementary Information  
June 30, 2023**

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## **Independent Auditor's Report**

To the Board of Education  
Saline Area Schools

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saline Area Schools (the "School District") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2023 and the respective changes in its 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for 12 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Education  
Saline Area Schools

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

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

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

***Required Supplementary Information***

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

***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education  
Saline Area Schools

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 24, 2023

This section of the annual financial report for Saline Area Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2023. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### ***Using This Annual Report***

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Saline Area Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund and the 2023 Building and Site Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net position and the statement of changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for the benefit of others. This report is composed of the following elements:

### **Management's Discussion and Analysis (MD&A) (Required Supplementary Information)**

#### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

#### **Required Supplementary Information**

Budgetary Information for Major Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

#### **Other Supplementary Information**

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

#### ***Reporting the School District's Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

#### **Governmental Funds**

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

#### **Fiduciary Funds**

The School District has certain fiduciary responsibility for its custodial funds. All of the School District's fiduciary activities are reported in the separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## Saline Area Schools

### Management's Discussion and Analysis (Continued)

#### ***The School District as a Whole***

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 99.0	\$ 38.4
Capital assets	159.4	157.6
Total assets	258.4	196.0
<b>Deferred Outflows of Resources</b>	53.1	27.5
<b>Liabilities</b>		
Current liabilities	13.8	14.6
Noncurrent liabilities	159.7	112.7
Net pension liability	137.4	86.4
Net OPEB liability	7.8	5.5
Total liabilities	318.7	219.2
<b>Deferred Inflows of Resources</b>	32.0	62.5
<b>Net Position (Deficit)</b>		
Net investment in capital assets	65.0	56.6
Restricted	0.8	0.6
Unrestricted	(105.0)	(115.4)
Total net position (deficit)	<b>\$ (39.2)</b>	<b>\$ (58.2)</b>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(39.2) million at June 30, 2023. Net investment in capital assets totaling \$65.0 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations.

The \$(105.0) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities from the state-managed retirement system). The operating results of the General Fund and the change in the net pension and OPEB liabilities will have significant impacts on the change in unrestricted net position from year to year.



## Saline Area Schools

### Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 4.0	\$ 2.8
Operating grants and contributions	33.9	31.6
General revenue:		
Property taxes	26.8	25.4
State foundation allowance	36.6	34.0
Other	5.3	3.1
Total revenue	106.6	96.9
<b>Expenses</b>		
Instruction	40.8	35.9
Support services	27.5	24.8
Athletics	1.3	1.2
Food services	2.0	1.9
Community services	3.3	3.0
Other	1.7	0.4
Interest on long-term debt	3.4	4.8
Depreciation expense (unallocated)	7.6	7.3
Total expenses	87.6	79.3
<b>Change in Net Position</b>	19.0	17.6
<b>Net Position (Deficit) - Beginning of year</b>	(58.2)	(75.8)
<b>Net Position (Deficit) - End of year</b>	\$ (39.2)	\$ (58.2)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$87.6 million. Certain activities were partially funded from those who benefited from the programs (\$4.0 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$33.9 million). We paid for the remaining public benefit portion of our governmental activities with \$26.8 million in taxes, \$36.6 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$19.0 million. This increase in net position was primarily due to a favorable change in the School District's overall net pension and OPEB liabilities and related deferred inflows and outflows of resources from the prior year.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

#### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$85.9 million, which is an increase of \$61.0 million from last year.

In the General Fund, our principal operating fund, fund balance increased by \$5.4 million largely due to the reduction in expenditures and additional one-time federal and state funding in response to the COVID-19 pandemic.

Combined, the fund balance of our special revenue funds increased from \$4.2 million last year to \$4.9 million this year mainly due to increases in the Food Service Fund due to increased reimbursement for meals and increased revenue in the Community Services and Programs Fund.

Combined, the fund balance of our debt service funds increased from \$0.5 million last year to \$1.3 million this year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are restricted since they can only be used to pay debt service obligations.

Combined, the fund balance of our capital projects funds increased from \$10.0 million last year to \$64.1 million this year. This increase is attributed to the first series of the new November 2022 voted bond through the 2023 Building and Site Fund. The School District collected \$0.75 million in a voter-approved Sinking Fund millage. This millage is available to fund specific capital projects allowed by state law and approved by the voters.

#### ***General Fund Budgetary Highlights***

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2023. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information section of these financial statements.

There were significant revisions made to the 2022-2023 General Fund budgeted revenue. At the time the School District had to adopt a budget by June 30, 2022, the timing of many federal and state grant funds was unclear. Like with COVID-19 in prior years, the School District was unsure if it would start to see normal enrollment trends return. The School District decided to budget conservatively and assume it would continue to see the loss of students that it had seen over the last couple of years. This also slightly affected the expenditures as it was able to execute some of the one-time grant funds and saw a corresponding increase in expenditures.

Budgeted revenue and expenditures were both increased significantly from original to final due to the State using school districts for an additional one-time payment to the pension's unfunded actuarial accrued liability (UAAL). School districts receive payment from the State and turn around and expense the payment to the Office of Retirement Services. Schools are required to report this expense across salary accounts. Though a net zero effect to the bottom line, it accounts for approximately \$10 million in revenue and expenditures in 2022-2023 and \$5.6 million in 2021-2022.

There were no significant variances between the final budget and actual amounts.

#### ***Capital Assets and Debt Administration***

##### **Capital Assets**

As of June 30, 2023, the School District had \$159.4 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$1.8 million from last year.

## Saline Area Schools

### Management's Discussion and Analysis (Continued)

	2023	2022
Land	\$ 12,878,887	\$ 12,391,681
Buildings and improvements	230,435,171	224,991,001
Furniture and equipment	26,313,483	30,154,630
Buses and other vehicles	2,731,540	2,703,074
	<u>272,359,081</u>	<u>270,240,386</u>
Less accumulated depreciation		
Less - Accumulated depreciation	<u>113,007,415</u>	<u>112,689,931</u>
Total capital assets - Net of accumulated depreciation	<u><b>\$ 159,351,666</b></u>	<u><b>\$ 157,550,455</b></u>

This year's additions of \$9.0 million were primarily due to building improvements, furniture, and equipment. Capital projects planned for the 2023-2024 fiscal year include the continuation of the projects begun during 2022-2023. We present more detailed information about our capital assets in the notes to the financial statements.

#### **Debt**

At the end of this year, the School District had \$133.6 million in bonds outstanding versus \$88.4 million in the previous year - a change of 51.2 percent due to the sale of the Series I Bonds from the November 2022 bond in the 2023 Building and Site fund.

Those bonds consisted of the following:

	2023	2022
General obligation bonds	\$ 133,640,000	\$ 88,430,000

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below this statutorily imposed limit.

Other obligations include the School Loan Revolving Fund and compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

#### ***Economic Factors and Next Year's Budgets and Rates***

Our elected officials and administration consider many factors when setting the School District's 2023-2024 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2023-2024 budget was adopted in June 2023 based on an estimate of students who would be enrolled in September 2023. Approximately 62 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2023-2024 school year, we anticipate that the fall student count will be less than the estimates used in creating the 2023-2024 budget but that it is unknown how much will be offset by the states funding a declining enrollment allocation. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

#### ***Contacting the School District's Management***

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the finance office.

	<b>June 30, 2023</b>
	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 4)	\$ 18,818,602
Receivables:	
Other receivables	4,523,498
Due from other governments	10,009,929
Inventory	59,495
Prepaid expenses and other assets	173,099
Restricted assets (Notes 4 and 9)	65,498,791
Capital assets - Net (Note 6)	<u>159,351,666</u>
Total assets	258,435,080
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 8)	2,143,491
Deferred pension costs (Note 11)	40,709,688
Deferred OPEB costs (Note 11)	<u>10,293,374</u>
Total deferred outflows of resources	53,146,553
<b>Liabilities</b>	
Accounts payable	2,111,072
Due to other governmental units	2,742,579
Accrued liabilities and other	8,103,670
Unearned revenue (Note 5)	884,347
Noncurrent liabilities: (Notes 8 and 11)	
Due within one year	11,389,290
Due in more than one year	148,257,652
Net pension liability	137,415,457
Net OPEB liability	<u>7,807,928</u>
Total liabilities	318,711,995
<b>Deferred Inflows of Resources</b>	
Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	10,057,128
Deferred pension cost reductions (Note 11)	4,375,219
Deferred OPEB cost reductions (Note 11)	<u>17,603,441</u>
Total deferred inflows of resources	<u>32,035,788</u>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	64,977,350
Restricted - Capital projects	836,283
Unrestricted	<u>(104,979,783)</u>
Total net position (deficit)	<u><u>\$ (39,166,150)</u></u>

# Saline Area Schools

## Statement of Activities

Year Ended June 30, 2023

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 40,807,439	\$ 115,569	\$ 21,880,319	\$ (18,811,551)
Support services	27,496,975	-	11,943,360	(15,553,615)
Athletics	1,292,136	168,699	-	(1,123,437)
Food services	1,957,106	1,228,123	98,072	(630,911)
Community services	3,264,855	2,498,017	-	(766,838)
Interdistrict payments	1,402,287	-	-	(1,402,287)
Interest	3,364,367	-	-	(3,364,367)
Other	329,722	-	-	(329,722)
Depreciation expense (unallocated)	7,635,751	-	-	(7,635,751)
<b>Total primary government</b>	<b>\$ 87,550,638</b>	<b>\$ 4,010,408</b>	<b>\$ 33,921,751</b>	<b>(49,618,479)</b>
General revenue(expense):				
Taxes:				
Property taxes levied for general purposes				8,139,657
Property taxes levied for debt service				16,922,437
Property taxes levied for Sinking Fund				726,602
Property taxes levied for community services				1,037,112
State aid not restricted to specific purposes				36,636,804
Interest and investment earnings				1,070,587
Penalties, interest, and other taxes				25,091
loss on sale of capital assets				(91,172)
Other:				
Student activities				2,422,665
Other				1,783,626
<b>Total general revenue</b>				<b>68,673,409</b>
<b>Change in Net Position</b>				<b>19,054,930</b>
<b>Net Position (Deficit) - Beginning of year</b>				<b>(58,221,080)</b>
<b>Net Position (Deficit) - End of year</b>				<b>\$ (39,166,150)</b>

# Saline Area Schools

## Governmental Funds Balance Sheet

June 30, 2023

	General Fund	2023 Building and Site Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents (Note 4)	\$ 13,934,191	\$ 102,167	\$ 4,782,244	\$ 18,818,602
Receivables:				
Other receivables	3,532,267	269,123	715,065	4,516,455
Due from other governments	10,009,929	-	-	10,009,929
Due from other funds (Note 7)	414,187	-	995,372	1,409,559
Inventory	32,470	-	27,025	59,495
Prepaid expenses and other assets	164,410	-	8,689	173,099
Restricted assets (Note 9)	-	59,858,235	5,640,556	65,498,791
	<b>\$ 28,087,454</b>	<b>\$ 60,229,525</b>	<b>\$ 12,168,951</b>	<b>\$ 100,485,930</b>
Total assets				
<b>Liabilities</b>				
Accounts payable	\$ 499,472	\$ 1,055,691	\$ 555,909	\$ 2,111,072
Due to other governmental units	2,742,579	-	-	2,742,579
Due to other funds (Note 7)	990,227	-	412,289	1,402,516
Accrued liabilities and other	7,457,350	-	86	7,457,436
Unearned revenue (Note 5)	796,075	-	88,272	884,347
	<b>12,485,703</b>	<b>1,055,691</b>	<b>1,056,556</b>	<b>14,597,950</b>
Total liabilities				
<b>Fund Balances</b>				
Nonspendable - Inventory and prepaid costs	196,880	-	35,714	232,594
Restricted:				
Debt service	-	-	1,256,718	1,256,718
Capital projects	-	59,173,834	3,359,715	62,533,549
Food service	-	-	850,829	850,829
Community service	-	-	2,422,863	2,422,863
Sinking fund	-	-	766,341	766,341
Vocational education	-	-	358,756	358,756
Committed - Student activities	-	-	1,267,651	1,267,651
Assigned:				
Subsequent year's budget	1,679,018	-	-	1,679,018
Capital projects	-	-	793,808	793,808
Unassigned	13,725,853	-	-	13,725,853
	<b>15,601,751</b>	<b>59,173,834</b>	<b>11,112,395</b>	<b>85,887,980</b>
Total fund balances				
Total liabilities and fund balances	<b>\$ 28,087,454</b>	<b>\$ 60,229,525</b>	<b>\$ 12,168,951</b>	<b>\$ 100,485,930</b>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

<b>Fund Balances Reported in Governmental Funds</b>	\$ 85,887,980
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	272,359,081
Accumulated depreciation	<u>(113,007,415)</u>
Net capital assets used in governmental activities	159,351,666
Deferred inflows and outflows related to bond refundings are not reported in the funds	2,143,491
Bonds payable and loan obligations are not due and payable in the current period and are not reported in the funds	(159,266,754)
Accrued interest is not due and payable in the current period and is not reported in the funds	(646,234)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences and early retirement incentives	(380,188)
Net pension liability and related deferred inflows and outflows	(101,080,988)
Net OPEB liability and related deferred inflows and outflows	(15,117,995)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(10,057,128)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b><u>\$ (39,166,150)</u></b>

# Saline Area Schools

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2023**

	General Fund	2023 Building and Site Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 9,265,995	\$ 1,130,900	\$ 25,741,290	\$ 36,138,185
State sources	53,920,118	-	1,856,958	55,777,076
Federal sources	4,920,341	-	1,223,058	6,143,399
Interdistrict sources	10,566,543	-	2,506,779	13,073,322
Total revenue	78,672,997	1,130,900	31,328,085	111,131,982
<b>Expenditures</b>				
Current:				
Instruction	44,292,463	-	1,140,954	45,433,417
Support services	27,096,000	361	2,886,534	29,982,895
Athletics	1,395,483	-	-	1,395,483
Food services	-	-	2,050,108	2,050,108
Community services	44,090	-	3,433,330	3,477,420
Debt service:				
Principal	-	-	12,349,862	12,349,862
Interest	-	-	4,279,900	4,279,900
Other	-	324,946	4,776	329,722
Capital outlay	782,710	1,740,821	7,048,376	9,571,907
Interdistrict payments	-	-	1,402,287	1,402,287
Total expenditures	73,610,746	2,066,128	34,596,127	110,273,001
<b>Excess of Revenue Over (Under) Expenditures</b>	5,062,251	(935,228)	(3,268,042)	858,981
<b>Other Financing Sources (Uses)</b>				
Face value of debt issued (Note 8)	-	53,825,000	-	53,825,000
Premium on debt issued (Note 8)	-	6,284,062	-	6,284,062
Transfers in (Note 7)	300,000	-	-	300,000
Transfers out (Note 7)	-	-	(300,000)	(300,000)
Total other financing sources (uses)	300,000	60,109,062	(300,000)	60,109,062
<b>Net Change in Fund Balances</b>	5,362,251	59,173,834	(3,568,042)	60,968,043
<b>Fund Balances - Beginning of year</b>	10,239,500	-	14,680,437	24,919,937
<b>Fund Balances - End of year</b>	<b>\$ 15,601,751</b>	<b>\$ 59,173,834</b>	<b>\$ 11,112,395</b>	<b>\$ 85,887,980</b>



## Saline Area Schools

# Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2023

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 60,968,043</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	9,528,134
Depreciation expense	(7,635,751)
Net book value of assets disposed of	(91,172)
Revenue in support of pension contributions made subsequent to the measurement date	(4,435,242)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(60,109,062)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	12,835,403
Interest expense is recognized in the government-wide statements as it accrues	429,992
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	7,564,585
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 19,054,930</u></b>

## Saline Area Schools

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### Fiduciary Funds Statement of Fiduciary Net Position

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June 30, 2023

	<u>Private Purpose Trust Fund</u>
<b>Assets</b> - Cash and cash equivalents	\$ 134,570
<b>Liabilities</b>	
Accounts payable	9,147
Due to other funds (Note 7)	<u>7,043</u>
Total liabilities	<u>16,190</u>
<b>Net Position</b> - Restricted	<u><u>\$ 118,380</u></u>

## Saline Area Schools

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### Fiduciary Funds Statement of Changes in Fiduciary Net Position

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Year Ended June 30, 2023

	<u>Private Purpose Trust Fund</u>
<b>Additions - Interest</b>	\$ 10,075
<b>Deductions - Benefit payments</b>	<u>13,721</u>
<b>Net Decrease in Net Position</b>	(3,646)
<b>Net Position - Beginning of year</b>	<u>122,026</u>
<b>Net Position - End of year</b>	<u><u>\$ 118,380</u></u>

**Note 1 - Nature of Business**

Saline Area Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

**Note 2 - Significant Accounting Policies**

***Accounting and Reporting Principles***

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

***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 District's reporting entity and which organizations are legally separate component units of the School District. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives, the government-wide perspective and the fund-based perspective. The government-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 primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

***Basis of Accounting***

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

**Note 2 - Significant Accounting Policies (Continued)**

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Fund Accounting***

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used.

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 2023 Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for remodeling, furnishing, and equipping school buildings and sites; purchasing school buses; and purchasing computing devices and classroom technology. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

**Note 2 - Significant Accounting Policies (Continued)**

**Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District maintains a private purpose trust fund that is used to account for resources legally held for others, including contributions received by the School District to be awarded in the form of scholarships.

**Interfund Activity**

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and fiduciary funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**Specific Balances and Transactions**

**Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in external investment pools, which are valued at amortized cost.

**Receivables and Payables**

In general, outstanding balances between funds are reported as due to/from other funds.

All trade receivables, primarily intergovernmental receivables, are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**Inventories and Prepaid Items**

Inventories are valued at cost on a first-in, first-out basis. Inventories, including United States Department of Agriculture Commodities inventory received by the Food Service Fund, are recorded as expenditures when consumed rather than purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

**Restricted Assets**

The unspent bond proceeds and related interest of the capital projects funds require amounts to be set aside for construction. In addition, the unspent property taxes levied in the debt service funds and Sinking Fund are required to be set aside for future bond principal and interest and approved Sinking Fund projects, respectively. These amounts have been classified as restricted assets.

**Note 2 - Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Depreciable Life - Years</u>
Buildings and improvements	20 to 50
Furniture and equipment	5 to 20
Buses and other vehicles	8

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The School District reports deferred outflows of resources related to deferred charges on bond refundings and deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

**Net Position**

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Note 2 - Significant Accounting Policies (Continued)**

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumptions**

The School District will sometimes 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. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the superintendent to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only 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 either to remove or revise a commitment.

**Property Tax Revenue**

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year for 100 percent of the taxes that are due on August 31. Tax collections are forwarded to the School District as they are collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.



**Note 2 - Significant Accounting Policies (Continued)**

**Grants and Contributions**

The School District receives federal, state, and local grants as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes.

**Pension and Other Postemployment Benefit (OPEB) Plans**

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

**Compensated Absences (Vacation and Sick Leave)**

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the period. Actual results could differ from those estimates.

**Upcoming Accounting Pronouncement**

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

**Note 3 - Stewardship, Compliance, and Accountability**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds, with the exception that the General Fund budget includes capital outlay in the function category. 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 function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services are rendered.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The School District did not have significant expenditure budget variances.

***Capital Projects Fund Compliance***

The 2023 Building and Site Fund and the 2016 Building and Site Fund record capital project activities funded with bonds issued after May 1, 1994. For these funds, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

The 2018 Sinking Fund capital project activities are funded with Sinking Fund millage. For this fund, authorized after March 29, 2017, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code.

**Note 4 - Deposits and Investments**

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

The School District has designated three banks for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools in the Michigan Liquid Asset Fund that are recorded at amortized cost, except there is a one-day minimum investment period (Cash Management Class), and investments may not be redeemed for at least 14 calendar days, with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the end of the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed (MAX Class).

**Note 4 - Deposits and Investments (Continued)**

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits. At year end, the School District had bank deposits of \$20,899,410 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

**Custodial Credit Risk of Investments**

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. The School District's investment policy states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2023, the School District does not have investments with custodial credit risk.

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2023, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
Michigan Liquid Asset Fund - MAX Class	\$ 3,462,816	AAAm	Standard & Poor's
Michigan Liquid Asset Fund - Cash Management Class	<u>59,858,235</u>	AAAm	Standard & Poor's
Total	<u><u>\$ 63,321,051</u></u>		

**Concentration of Credit Risk**

The School District places no limit on the amount it may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Note 5 - Unavailable/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.

**Note 5 - Unavailable/Unearned Revenue (Continued)**

At June 30, 2023, the School District had no unavailable revenue and \$884,347 of unearned revenue, primarily related to grant and categorical aid received prior to meeting all eligibility requirements.

**Note 6 - Capital Assets**

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

	Balance July 1, 2022	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated - Land	\$ 12,391,681	\$ 487,206	\$ -	\$ 12,878,887
Capital assets being depreciated:				
Buildings and improvements	224,991,001	5,444,170	-	230,435,171
Furniture and equipment	30,154,630	3,084,362	(6,925,509)	26,313,483
Buses and other vehicles	2,703,074	512,396	(483,930)	2,731,540
Subtotal	257,848,705	9,040,928	(7,409,439)	259,480,194
Accumulated depreciation:				
Buildings and improvements	87,183,408	5,486,758	-	92,670,166
Furniture and equipment	23,615,225	362,746	(6,925,509)	17,052,462
Buses and other vehicles	1,891,298	1,786,247	(392,758)	3,284,787
Subtotal	112,689,931	7,635,751	(7,318,267)	113,007,415
Net capital assets being depreciated	145,158,774	1,405,177	(91,172)	146,472,779
Net governmental activities capital assets	<u>\$ 157,550,455</u>	<u>\$ 1,892,383</u>	<u>\$ (91,172)</u>	<u>\$ 159,351,666</u>

Depreciation expense was not charged to activities, as the School District's assets benefit multiple activities, and allocation is not practical.

**Construction Commitments**

The School District has active construction projects at year end. A total of \$9,007,955 of funds from the 2016 and 2023 Building and Site Fund have been committed toward these projects.

**Note 7 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Nonmajor Funds	Private Purpose Trust Fund	
General Fund	\$ -	\$ 407,144	\$ 7,043	\$ 414,187
Nonmajor funds	990,227	5,145	-	995,372
Total	<u>\$ 990,227</u>	<u>\$ 412,289</u>	<u>\$ 7,043</u>	<u>\$ 1,409,559</u>

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

June 30, 2023

**Note 7 - Interfund Receivables, Payables, and Transfers (Continued)**

During the current year, the Community Services and Programs Fund transferred \$300,000 to the General Fund as a reimbursement for indirect operating costs and a portion of facility rental proceeds.

**Note 8 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements - School Loan Revolving Fund	\$ 11,292,206	\$ 285,339	\$ (3,734,862)	\$ 7,842,683	\$ -
Other debt - General obligations	88,430,000	53,825,000	(8,615,000)	133,640,000	9,975,000
Unamortized bond premiums	12,577,102	6,284,062	(1,077,093)	17,784,071	1,351,790
<b>Total bonds and contracts payable</b>	<b>112,299,308</b>	<b>60,394,401</b>	<b>(13,426,955)</b>	<b>159,266,754</b>	<b>11,326,790</b>
Compensated absences and early retirement incentives	485,084	-	(104,896)	380,188	62,500
<b>Total governmental activities long-term debt</b>	<b>\$ 112,784,392</b>	<b>\$ 60,394,401</b>	<b>\$ (13,531,851)</b>	<b>\$ 159,646,942</b>	<b>\$ 11,389,290</b>

The School District had deferred outflows of \$2,143,491 related to deferred charges on bond refundings at June 30, 2023.

**General Obligation Bonds and Other Long-term Liabilities**

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District’s qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District’s property tax levy; however, the State of Michigan may withhold the School District’s state aid funding in order to recover amounts it has paid on behalf of the School District.

General obligations outstanding at June 30, 2023 are as follows:

Purpose	Remaining Payments	Interest Rates	Maturing	Outstanding
\$58,265,000 Refunding Bonds	\$4,560,000 -			
\$34,140,000 Qualified Bond - Series I	\$4,885,000	5.00%	May 1, 2030	\$ 33,100,000
\$12,960,000 Qualified Bond - Series II	\$1,200,000 -			
\$11,905,000 Qualified Bond - Series III	\$2,950,000	5.00%	May 1, 2036	27,425,000
\$53,825,000 Qualified Bond - Series I	\$375,000 -			
	\$1,010,000	4.00%	May 1, 2038	11,335,000
	\$250,000 -			
	\$2,690,000	3.00 - 5.00%	May 1, 2036	7,955,000
	\$1,000,000 -			
	\$4,235,000	4.125 - 5.00%	May 1, 2042	53,825,000
<b>Total governmental activities</b>				<b>\$ 133,640,000</b>

**Note 8 - Long-term Debt (Continued)**

**Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Other Debt		
	Principal	Interest	Total
2024	\$ 9,975,000	\$ 6,821,635	\$ 16,796,635
2025	11,100,000	5,983,750	17,083,750
2026	9,065,000	5,433,500	14,498,500
2027	9,290,000	4,985,750	14,275,750
2028	9,515,000	4,527,250	14,042,250
2029-2033	38,485,000	16,021,750	54,506,750
2034-2038	30,245,000	7,669,250	37,914,250
Thereafter	15,965,000	1,877,100	17,842,100
<b>Total</b>	<b>\$ 133,640,000</b>	<b>\$ 53,319,985</b>	<b>\$ 186,959,985</b>

**School Loan Revolving Fund**

The School Loan Revolving Fund payable represents a direct borrowing from the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005 (the "Act"), as amended. The School Loan Revolving Fund is accessible to school districts for borrowings that initiated after July 19, 2005. Interest during the year ended June 30, 2023 ranged from 1.19 percent to 4.11 percent. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2036. If the School District fails to levy the appropriate debt mills in accordance with the agreement or defaults in loan repayment, the School District shall increase its debt levy in the next succeeding year, and a default late charge of 3 percent will apply. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above debt maturity schedule. If the School District is in default of the loan agreement, the State of Michigan may withhold state aid funding until repayment terms satisfactory to the State of Michigan have been made.

**Note 9 - Restricted Assets**

At June 30, 2023, restricted assets are composed of the following:

Description	Governmental Activities
Unspent bond proceeds and unspent property taxes levied for sinking fund and debt service	\$ 65,498,791

**Note 10 - Risk Management**

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

**Note 11 - Michigan Public School Employees' Retirement System**

***Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

**Contributions**

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

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

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2023 were \$17,375,386, which includes the School District's contributions required for those members with a defined contribution benefit. For the year ended June 30, 2023, the School District's required and actual pensions contributions include an allocation of \$6,355,665 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate as well as \$3,701,463 of a one-time state payment received and remitted to the System for the purpose of contributing additional assets to the System.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2023 were \$3,042,728, which includes the School District's contributions required for those members with a defined contribution benefit.



**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

**Net Pension Liability**

At June 30, 2023, the School District reported a liability of \$137,415,457 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the School District's proportion was 0.37 and 0.36 percent, respectively, representing a change of 0.18 percent.

**Net OPEB Liability**

At June 30, 2023, the School District reported a liability of \$7,807,928 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2023 was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the School District's proportion was 0.37 and 0.36 percent, respectively, representing a change of 2.54 percent.

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

For 2023, the School District recognized pension expense of \$15,115,410, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2023, 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
Difference between expected and actual experience	\$ 1,374,634	\$ (307,246)
Changes in assumptions	23,612,900	-
Net difference between projected and actual earnings on pension plan investments	322,239	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	166,675	(4,067,973)
The School District's contributions to the plan subsequent to the measurement date	15,233,240	-
Total	\$ 40,709,688	\$ (4,375,219)

The \$10,057,128 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2024	\$ 5,262,372
2025	3,847,983
2026	4,103,607
2027	7,887,267
Total	\$ 21,101,229

June 30, 2023

**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2023, the School District recognized OPEB recovery of \$3,235,694.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (15,292,739)
Changes in assumptions	6,959,456	(566,679)
Net difference between projected and actual earnings on OPEB plan investments	610,251	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	638,415	(1,744,023)
Employer contributions to the plan subsequent to the measurement date	2,085,252	-
	<u>2,085,252</u>	<u>-</u>
Total	<u>\$ 10,293,374</u>	<u>\$ (17,603,441)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

<u>Years Ending</u>	<u>Amount</u>
2024	\$ (3,254,660)
2025	(3,057,673)
2026	(2,732,022)
2027	(275,609)
2028	(92,610)
Thereafter	<u>17,255</u>
Total	<u>\$ (9,395,319)</u>

**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2022 are based on the results of an actuarial valuation as of September 30, 2021 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1 graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

Significant assumption changes since the prior measurement date, September 30, 2021, for the OPEB plan include a decrease in the discount rate used in the September 30, 2022 measurement date by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. The investment rate of return used in the September 30, 2022 measurement date decreased by 0.80 percentage points in the pension plan 0.95 percentage points in the OPEB plan. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2021.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00 percent as of September 30, 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

June 30, 2023

**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

The long-term expected rate of return on pension plan and 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.10 %
Private equity pools	16.00	8.70
International equity pools	15.00	6.70
Fixed-income pools	13.00	(0.20)
Real estate and infrastructure pools	10.00	5.30
Absolute return pools	9.00	2.70
Real return/opportunistic pools	10.00	5.80
Short-term investment pools	2.00	(0.50)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.2 percent.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability of the School District	\$ 181,337,353	\$ 137,415,457	\$ 101,221,836

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB liability of the School District	\$ 13,097,048	\$ 7,807,928	\$ 3,353,832

**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability of the School District	\$ 3,269,587	\$ 7,807,928	\$ 12,902,305

***Pension Plan and OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

***Payable to the Pension Plan and OPEB Plan***

At June 30, 2023, the School District reported a payable of \$3,747,470 and \$404,831 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2023.

**Note 12 - Tax Abatements**

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities, and brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2023, the School District's property tax revenue was reduced by approximately \$366,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the school aid formula. The School District received approximately \$246,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the Sinking Fund or debt service millages. There are no abatements made by the School District.

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## Required Supplementary Information

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## Saline Area Schools

### Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 8,307,167	\$ 9,184,397	\$ 9,265,995	\$ 81,598
State sources	46,998,697	53,211,223	53,920,118	708,895
Federal sources	2,831,876	4,743,044	4,920,341	177,297
Interdistrict sources	9,236,599	10,548,994	10,566,543	17,549
Total revenue	67,374,339	77,687,658	78,672,997	985,339
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	30,584,877	34,061,133	33,708,202	(352,931)
Added needs	9,895,951	11,624,094	10,696,579	(927,515)
Support services:				
Pupil	8,623,952	9,151,829	8,766,330	(385,499)
Instructional staff	2,659,539	3,158,673	2,885,846	(272,827)
General administration	735,648	708,093	698,612	(9,481)
School administration	3,373,589	3,988,352	4,129,836	141,484
Business	873,767	970,201	894,202	(75,999)
Operations and maintenance	5,458,900	7,306,737	6,603,874	(702,863)
Pupil transportation services	1,924,108	2,009,004	1,897,654	(111,350)
Central	1,864,718	1,976,670	1,864,782	(111,888)
Other	20,000	20,000	20,000	-
Athletics	1,425,164	1,502,133	1,400,739	(101,394)
Community services	51,283	51,234	44,090	(7,144)
Total expenditures	67,491,496	76,528,153	73,610,746	(2,917,407)
<b>Excess of Revenue (Under) Over Expenditures</b>	(117,157)	1,159,505	5,062,251	3,902,746
<b>Other Financing Sources - Transfers in</b>	200,000	300,000	300,000	-
<b>Net Change in Fund Balance</b>	82,843	1,459,505	5,362,251	3,902,746
<b>Fund Balance - Beginning of year</b>	9,371,687	10,239,500	10,239,500	-
<b>Fund Balance - End of year</b>	<b>\$ 9,454,530</b>	<b>\$ 11,699,005</b>	<b>\$ 15,601,751</b>	<b>\$ 3,902,746</b>

## Saline Area Schools

### Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	<b>Last Nine Plan Years</b>								
	<b>Plan Years Ended September 30</b>								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.36538 %	0.36473 %	0.37944 %	0.39440 %	0.39374 %	0.38353 %	0.37190 %	0.38855 %	0.36904 %
School District's proportionate share of the net pension liability	\$ 137,415,457	\$ 86,351,945	\$ 130,341,366	\$ 130,611,635	\$ 118,365,313	\$ 99,389,715	\$ 92,784,977	\$ 94,904,062	\$ 81,286,407
School District's covered payroll	\$ 35,939,376	\$ 32,515,852	\$ 32,900,795	\$ 34,308,225	\$ 34,000,021	\$ 32,877,547	\$ 30,839,024	\$ 33,067,122	\$ 30,326,343
School District's proportionate share of the net pension liability as a percentage of its covered payroll	382.35 %	265.57 %	396.16 %	380.70 %	348.13 %	302.30 %	300.87 %	287.00 %	268.04 %
Plan fiduciary net position as a percentage of total pension liability	60.77 %	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %



## Saline Area Schools

### Required Supplementary Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	<b>Last Nine Fiscal Years Years Ended June 30</b>								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 16,956,882	\$ 12,470,791	\$ 11,085,118	\$ 10,650,304	\$ 10,571,853	\$ 10,145,632	\$ 9,335,716	\$ 8,702,307	\$ 6,668,455
Contributions in relation to the statutorily required contribution	16,956,882	12,470,791	11,085,118	10,650,304	10,571,853	10,145,632	9,335,716	8,702,307	6,668,455
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$ 34,563,231</b>	<b>\$ 34,489,660</b>	<b>\$ 32,094,767</b>	<b>\$ 33,390,048</b>	<b>\$ 34,192,993</b>	<b>\$ 33,808,716</b>	<b>\$ 34,530,890</b>	<b>\$ 30,780,754</b>	<b>\$ 31,294,444</b>
<b>Contributions as a Percentage of Covered Payroll</b>	49.06 %	36.16 %	34.54 %	31.90 %	30.92 %	30.01 %	27.04 %	28.27 %	21.31 %

## Saline Area Schools

### Required Supplementary Information Schedule of Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

**Last Six Plan Years  
Plan Years Ended September 30**

	2022	2021	2020	2019	2018	2017
School District's proportion of the net OPEB liability	0.36864 %	0.35952 %	0.37100 %	0.39215 %	0.39888 %	0.38234 %
School District's proportionate share of the net OPEB liability	\$ 7,807,928	\$ 5,487,582	\$ 19,875,332	\$ 28,147,410	\$ 31,707,172	\$ 33,857,577
School District's covered payroll	\$ 35,939,376	\$ 32,515,852	\$ 32,900,795	\$ 34,308,225	\$ 34,000,021	\$ 32,877,547
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.73 %	16.88 %	60.41 %	82.04 %	93.26 %	102.98 %
Plan fiduciary net position as a percentage of total OPEB liability	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

## Saline Area Schools

### Required Supplementary Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

	<b>Last Six Fiscal Years Years Ended June 30</b>					
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 2,782,064	\$ 2,810,631	\$ 2,670,846	\$ 2,683,091	\$ 2,685,868	\$ 2,441,911
Contributions in relation to the statutorily required contribution	2,782,064	2,810,631	2,670,846	2,683,091	2,685,868	2,441,911
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$ 34,563,231</b>	<b>\$ 34,489,660</b>	<b>\$ 32,094,767</b>	<b>\$ 33,390,048</b>	<b>\$ 34,192,993</b>	<b>\$ 33,808,716</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>8.05 %</b>	<b>8.15 %</b>	<b>8.32 %</b>	<b>8.04 %</b>	<b>7.86 %</b>	<b>7.22 %</b>

June 30, 2023

### ***Pension Information***

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

### **Benefit Changes**

There were no changes of benefit terms for each of the reported plan years ended September 30.

The required contributions for the year ended June 30, 2023 include a one-time contribution of \$3,701,463, referred to as 147c(2), related to funding received from the State and remitted to the System for the purpose of contributing additional assets to the system.

### **Changes in Assumptions**

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

### ***OPEB Information***

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

### **Benefit Changes**

There were no changes of benefit terms for each of the reported plan years ended September 30.

### **Changes in Assumptions**

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.

**June 30, 2023**

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

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## Other Supplementary Information

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Other Supplementary Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds				Debt Service Funds				Capital Project Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Community Services and Programs Fund	Vocational Education Fund	Student Activities Fund	Refunding Debt Service Fund	2016 Debt Service Fund	2018 Debt Service Fund	2021 Debt Service Fund	Maintenance and Equipment Fund	2018 Sinking Fund	2021 Building and Site Fund	
<b>Assets</b>												
Cash and cash equivalents	\$ 930,049	\$ 2,730,775	\$ -	\$ 1,121,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,782,244
Receivables	34,673	1,246	624,149	54,997	-	-	-	-	-	-	-	715,065
Due from other funds	-	17,597	-	179,165	-	-	-	-	795,610	3,000	-	995,372
Inventory	27,025	-	-	-	-	-	-	-	-	-	-	27,025
Prepaid expenses and other assets	213	-	2,157	6,319	-	-	-	-	-	-	-	8,689
Restricted assets	-	-	-	-	662,291	246,014	76,298	272,165	-	919,327	3,464,461	5,640,556
<b>Total assets</b>	<b>\$ 991,960</b>	<b>\$ 2,749,618</b>	<b>\$ 626,306</b>	<b>\$ 1,361,901</b>	<b>\$ 662,291</b>	<b>\$ 246,014</b>	<b>\$ 76,298</b>	<b>\$ 272,165</b>	<b>\$ 795,610</b>	<b>\$ 922,327</b>	<b>\$ 3,464,461</b>	<b>\$ 12,168,951</b>
<b>Liabilities</b>												
Accounts payable	\$ 19,684	\$ 147,113	\$ 38,647	\$ 87,931	\$ -	\$ -	\$ -	\$ -	\$ 1,802	\$ 155,986	\$ 104,746	\$ 555,909
Due to other funds	5,937	179,642	226,660	-	50	-	-	-	-	-	-	412,289
Accrued liabilities and other	-	-	86	-	-	-	-	-	-	-	-	86
Unearned revenue	88,272	-	-	-	-	-	-	-	-	-	-	88,272
<b>Total liabilities</b>	<b>113,893</b>	<b>326,755</b>	<b>265,393</b>	<b>87,931</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,802</b>	<b>155,986</b>	<b>104,746</b>	<b>1,056,556</b>
<b>Fund Balances</b>												
Nonspendable - Inventory and prepaid costs	27,238	-	2,157	6,319	-	-	-	-	-	-	-	35,714
Restricted:												
Debt service	-	-	-	-	662,241	246,014	76,298	272,165	-	-	-	1,256,718
Capital projects	-	-	-	-	-	-	-	-	-	-	3,359,715	3,359,715
Food service	850,829	-	-	-	-	-	-	-	-	-	-	850,829
Community service	-	2,422,863	-	-	-	-	-	-	-	-	-	2,422,863
Sinking fund	-	-	-	-	-	-	-	-	-	766,341	-	766,341
Vocational education	-	-	358,756	-	-	-	-	-	-	-	-	358,756
Committed - Student activities	-	-	-	1,267,651	-	-	-	-	-	-	-	1,267,651
Assigned - Capital projects	-	-	-	-	-	-	-	-	793,808	-	-	793,808
<b>Total fund balances</b>	<b>878,067</b>	<b>2,422,863</b>	<b>360,913</b>	<b>1,273,970</b>	<b>662,241</b>	<b>246,014</b>	<b>76,298</b>	<b>272,165</b>	<b>793,808</b>	<b>766,341</b>	<b>3,359,715</b>	<b>11,112,395</b>
<b>Total liabilities and fund balances</b>	<b>\$ 991,960</b>	<b>\$ 2,749,618</b>	<b>\$ 626,306</b>	<b>\$ 1,361,901</b>	<b>\$ 662,291</b>	<b>\$ 246,014</b>	<b>\$ 76,298</b>	<b>\$ 272,165</b>	<b>\$ 795,610</b>	<b>\$ 922,327</b>	<b>\$ 3,464,461</b>	<b>\$ 12,168,951</b>

# Saline Area Schools

## Other Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

**Year Ended June 30, 2023**

	Special Revenue Funds				Debt Service Funds				Capital Project Funds			Total
	Food Service Fund	Community Services and Programs Fund	Vocational Education Fund	Student Activities Fund	Refunding Debt Service Fund	2016 Debt Service Fund	2018 Debt Service Fund	2021 Debt Service Fund	Maintenance and Equipment Fund	2018 Sinking Fund	2021 Building and Site Fund	
<b>Revenue</b>												
Local sources	\$ 1,229,091	\$ 4,051,233	\$ 49,071	\$ 2,422,665	\$ 9,004,848	\$ 3,075,205	\$ 1,059,427	\$ 3,815,997	\$ 67,937	\$ 728,027	\$ 237,789	\$ 25,741,290
State sources	243,626	226,469	816,244	-	232,557	79,343	27,360	98,495	-	21,550	111,314	1,856,958
Federal sources	716,856	241,847	264,355	-	-	-	-	-	-	-	-	1,223,058
Interdistrict sources	-	-	2,506,779	-	-	-	-	-	-	-	-	2,506,779
<b>Total revenue</b>	<b>2,189,573</b>	<b>4,519,549</b>	<b>3,636,449</b>	<b>2,422,665</b>	<b>9,237,405</b>	<b>3,154,548</b>	<b>1,086,787</b>	<b>3,914,492</b>	<b>67,937</b>	<b>749,577</b>	<b>349,103</b>	<b>31,328,085</b>
<b>Expenditures</b>												
Current:												
Instruction	-	-	1,140,954	-	-	-	-	-	-	-	-	1,140,954
Support services	-	-	700,231	2,186,123	-	-	-	-	-	-	180	2,886,534
Food services	2,050,108	-	-	-	-	-	-	-	-	-	-	2,050,108
Community services	-	3,433,330	-	-	-	-	-	-	-	-	-	3,433,330
Debt service:												
Other	-	-	-	-	6,933,323	1,581,182	576,447	3,258,910	-	-	-	12,349,862
Interest	-	-	-	-	1,900,250	1,425,000	466,400	488,250	-	-	-	4,279,900
Other	-	-	-	-	499	501	500	2,776	-	-	500	4,776
Capital outlay	51,340	107,307	466,455	170,763	-	-	-	-	101,424	1,185,001	4,966,086	7,048,376
Interdistrict payments	-	-	1,402,287	-	-	-	-	-	-	-	-	1,402,287
<b>Total expenditures</b>	<b>2,101,448</b>	<b>3,540,637</b>	<b>3,709,927</b>	<b>2,356,886</b>	<b>8,834,072</b>	<b>3,006,683</b>	<b>1,043,347</b>	<b>3,749,936</b>	<b>101,424</b>	<b>1,185,001</b>	<b>4,966,766</b>	<b>34,596,127</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>88,125</b>	<b>978,912</b>	<b>(73,478)</b>	<b>65,779</b>	<b>403,333</b>	<b>147,865</b>	<b>43,440</b>	<b>164,556</b>	<b>(33,487)</b>	<b>(435,424)</b>	<b>(4,617,663)</b>	<b>(3,268,042)</b>
<b>Other Financing Uses - Transfers out</b>	<b>-</b>	<b>(300,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(300,000)</b>
<b>Net Change in Fund Balances</b>	<b>88,125</b>	<b>678,912</b>	<b>(73,478)</b>	<b>65,779</b>	<b>403,333</b>	<b>147,865</b>	<b>43,440</b>	<b>164,556</b>	<b>(33,487)</b>	<b>(435,424)</b>	<b>(4,617,663)</b>	<b>(3,568,042)</b>
<b>Fund Balances - Beginning of year</b>	<b>789,942</b>	<b>1,743,951</b>	<b>434,391</b>	<b>1,208,191</b>	<b>258,908</b>	<b>98,149</b>	<b>32,858</b>	<b>107,609</b>	<b>827,295</b>	<b>1,201,765</b>	<b>7,977,378</b>	<b>14,680,437</b>
<b>Fund Balances - End of year</b>	<b>\$ 878,067</b>	<b>\$ 2,422,863</b>	<b>\$ 360,913</b>	<b>\$ 1,273,970</b>	<b>\$ 662,241</b>	<b>\$ 246,014</b>	<b>\$ 76,298</b>	<b>\$ 272,165</b>	<b>\$ 793,808</b>	<b>\$ 766,341</b>	<b>\$ 3,359,715</b>	<b>\$ 11,112,395</b>



## Saline Area Schools

## Other Supplementary Information Schedule of Bonded Indebtedness

June 30, 2023

Years Ending June 30	2018 Refunding Debt Service	Building and Site - Series I	Building and Site - Series II	Building and Site - Series III	2023 Building and Site - Series I	Total
	Principal	Principal	Principal	Principal	Principal	
2024	\$ 4,885,000	\$ 1,200,000	\$ 375,000	\$ 2,515,000	\$ 1,000,000	\$ 9,975,000
2025	4,835,000	1,350,000	475,000	2,690,000	1,750,000	11,100,000
2026	4,785,000	1,500,000	550,000	250,000	1,980,000	9,065,000
2027	4,735,000	1,625,000	600,000	250,000	2,080,000	9,290,000
2028	4,680,000	1,750,000	650,000	250,000	2,185,000	9,515,000
2029	4,620,000	1,850,000	700,000	250,000	2,295,000	9,715,000
2030	4,560,000	1,950,000	750,000	250,000	2,410,000	9,920,000
2031	-	2,450,000	800,000	250,000	2,530,000	6,030,000
2032	-	2,550,000	825,000	250,000	2,655,000	6,280,000
2033	-	2,650,000	850,000	250,000	2,790,000	6,540,000
2034	-	2,750,000	875,000	250,000	2,930,000	6,805,000
2035	-	2,850,000	900,000	250,000	3,075,000	7,075,000
2036	-	2,950,000	975,000	250,000	3,230,000	7,405,000
2037	-	-	1,000,000	-	3,390,000	4,390,000
2038	-	-	1,010,000	-	3,560,000	4,570,000
2039	-	-	-	-	3,730,000	3,730,000
2040	-	-	-	-	3,920,000	3,920,000
2041	-	-	-	-	4,080,000	4,080,000
2042	-	-	-	-	4,235,000	4,235,000
Total remaining payments	<b>\$ 33,100,000</b>	<b>\$ 27,425,000</b>	<b>\$ 11,335,000</b>	<b>\$ 7,955,000</b>	<b>\$ 53,825,000</b>	<b>\$ 133,640,000</b>
Principal payments due	May 1	May 1	May 1	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	5.00%	5.00%	4.00%	3.00% - 5.00%	4.125% - 5.00%	
Original issue	<b>\$ 58,265,000</b>	<b>\$ 34,140,000</b>	<b>\$ 12,960,000</b>	<b>\$ 11,905,000</b>	<b>\$ 53,825,000</b>	