

**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**REPORT ON FINANCIAL STATEMENTS**  
(with additional information)

For the Year Ended June 30, 2022

**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices throughout Michigan*

**Iron Mountain Office:**

Shane M. Ellison, CPA, PC - Principal  
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Michelle Christian, BSA - Senior

**INDEPENDENT AUDITOR'S REPORT**

**Member of:**

Private Companies Practice Section  
American Institute of Certified  
Public Accountants

To the Board of Education  
Watersmeet Township School District  
Watersmeet, Michigan

**Opinion**

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

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

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 opinion.

**Responsibilities of Management for the Financial Statements**

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

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

**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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

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

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

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

#### **Other Matters**

##### *Required Supplementary Information*

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

##### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedule and the combining statements for nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

##### *Other Information*

Management is responsible for the budgetary comparison schedule and the combining statements for nonmajor governmental funds. Our opinions on the basic financial statements do not cover the budgetary comparison schedule and the combining statements for nonmajor governmental funds, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the budgetary comparison schedule and the combining statements for nonmajor governmental funds and consider whether a material inconsistency exists between the budgetary comparison schedule and the combining statements for nonmajor governmental funds and the basic financial statements, or the budgetary comparison schedule and the combining statements for nonmajor governmental funds otherwise appear to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the budgetary comparison schedule and the combining statements for nonmajor governmental funds exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 District's internal control over financial reporting and compliance.



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

October 28, 2022

Watersmeet Township School District  
Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

Watersmeet Township School District's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position including its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board (GASB) Statement No. 34 (GASB 34) as amended by GASB Statement No. 63, GASB Statement No. 65, and GASB Statement No. 68 and 75, GASB Statement No. 71 an amendment of GASB Statement No. 68, GASB 84, and GASB 87, and is intended to provide the financial results for the fiscal year ending June 30, 2022.

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

Basic Financial Statements

***District-Wide Financial Statements***

***Fund Financial Statements***

Notes to the Basic Financial Statements

***(Required Supplementary Information)***  
(Other than MD&A expanded)

GASB 34, as amended by GASB Statement No. 63 and 65, requires the presentation of two basic types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

**District-Wide Financial Statements**

The District-Wide Financial Statements provide a perspective of the District as a whole. These financial statements use the full accrual basis of accounting similar to private sector companies. There are two District-Wide Financial Statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds: current financial resources (short-term available resources) (assets, liabilities, and deferred outflows/inflows of resources) with capital assets and long-term obligations, regardless of their current availability.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

Watersmeet Township School District  
Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

**Fund Financial Statements**

The Fund Financial Statements are similar to financial presentations of years past but are focused on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received, except when they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Fund types include the General Fund, Debt Service Fund, Food Service Fund, Book Store Fund, Student Activities Fund, and Scholarship Fund. The General Fund is used primarily to account for the general education requirements of the District. For fiscal years ending June 30, 2022 and 2021 Athletics is combined with General Fund. Its revenues are derived from property taxes, state and federal distributions and grants, and other intergovernmental revenues. The Food Service Fund is used to record food service revenues derived from local, state and federal sources and expenses associated with running the food service program. The Debt Service Fund is used to record the funding and payment of principal and interest on bonded debt. The Book Store Fund is used to record all activity of the bookstore. The Student Activities and Scholarship Funds account for assets held by the District in a trustee capacity, or as an agent for various student groups and activities.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<b>Assets:</b>		
Current assets	\$ 3,111,961	\$ 2,885,228
Net capital assets	<u>4,696,172</u>	<u>4,879,582</u>
<b>Total assets</b>	<u>7,808,133</u>	<u>7,764,810</u>
<b>Deferred pension and OPEB outflows</b>	<u>961,358</u>	<u>1,637,947</u>
<b>Liabilities:</b>		
Current liabilities	1,028,181	775,563
Long term liabilities	<u>5,183,158</u>	<u>8,148,620</u>
<b>Total liabilities</b>	<u>6,211,339</u>	<u>8,924,183</u>
<b>Deferred pension and OPEB inflows</b>	<u>2,805,828</u>	<u>1,271,924</u>
<b>Net position:</b>		
Net investment in capital assets	4,056,172	3,899,582
Restricted	1,023,722	745,744
Unrestricted	<u>(5,327,570)</u>	<u>(5,438,676)</u>
<b>Total net position</b>	<u>\$ (247,676)</u>	<u>\$ (793,350)</u>

Watersmeet Township School District  
Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

**Financial Analysis of the District as a Whole**

Summary of Net Position

The School District's net position totaled \$(247,676) at June 30, 2022, compared to \$(793,350) at June 30, 2021. Total net position can be separated into three categories: net investment in capital assets, restricted and unrestricted assets.

Net investment in capital assets is a combination of funds available for capital assets less accumulated depreciation and related debt. The original cost of capital assets was \$8,477,544 at June 30, 2022, and \$8,477,544 at June 30, 2021. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated use life of the assets. Total accumulated depreciation was \$3,781,372 at June 30, 2022, and \$3,597,962 at June 30, 2021. Debt related to capital assets was \$640,000 at June 30, 2022 and \$980,000 at June 30, 2021.

Restricted net position is comprised of funds restricted for debt service items and 2% gaming proceeds. Total restricted net position was \$1,023,722 at June 30, 2022 and \$745,744 at June 30, 2021.

The remaining balance of unrestricted net position represents a deficit balance of \$(5,327,570) at June 30, 2022, and \$(5,438,676) at June 30, 2021. The deficit balance is a result of GASB Statement No. 68 and 75 Accounting and Financial Reporting for Pensions and Other Post-Employment Benefits, and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68" which is effective for fiscal years beginning after June 15, 2021. Additional information regarding GASB Statements No. 68 and 71 can be found in the audit report under Note 8 – Employee Retirement System-Defined Benefit Plan and in the Required Supplementary Information section.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-Wide results of operations for the years ended June 30, 2022 and June 30, 2021 is as show on the following page:



Watersmeet Township School District  
Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Program revenue		
Charges for services - local and support	\$ 25,857	\$ 3,228
Operating grants - federal, state, and local	<u>1,125,806</u>	<u>1,089,324</u>
Total program revenue	<u>1,151,663</u>	<u>1,092,552</u>
General revenue		
Property taxes levied	2,748,418	2,874,267
State revenue sharing	516,865	501,164
Other-federal, state, and local	<u>278,796</u>	<u>500,808</u>
Total general revenue	<u>3,544,079</u>	<u>3,876,239</u>
Total revenue	<u>4,695,742</u>	<u>4,968,791</u>
Expenses		
Instruction	2,197,047	2,610,365
Support services	1,518,855	1,444,391
School services	212,408	193,596
Debt interest, fee and expenses	38,348	50,981
Depreciation (unallocated)	<u>183,410</u>	<u>181,343</u>
Total expenses	<u>4,150,068</u>	<u>4,480,676</u>
Increase in net position	545,674	488,115
Net Position July 1	<u>(793,350)</u>	<u>(1,281,465)</u>
Net Position June 30	<u>\$ (247,676)</u>	<u>\$ (793,350)</u>

**GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS**

The overall condition of the governmental funds shows a decrease in revenues and an increase in expenditures from June 30, 2022 compared to June 30, 2021. The major reason in the decrease in revenues is a decrease in local sources. The major reason for the increase in expenditures is an increase in instruction expense.

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments are known. The most significant fund budgeted is the General Fund. All the funds' operating budgets were amended during the fiscal year.

Watersmeet Township School District  
Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

**Variance Explanations from the Final Budget to Actual**

**Revenue:** The variance of final budget to actual was mainly due to less local revenues collected.

**Expenditures:** The variance of final budget to actual was due to year-end adjustments for retirement and health insurance expenses.

The Watersmeet Township School District begins the 2022-23 school year with a \$1,398,838 general fund balance, a decrease of \$287,373 from the previous year. The original 2021-22 budget proposed by the District in June 2021 projected a reduction of the fund balance by \$489,163. The District relies heavily on federal funds which make up 26% of the District's general fund revenues. The new fund balance is about 36% of annual general fund expenses.

**Factors Bearing on the District's Future**

Due to a headlee millage reduction in 2021 the District levied 17.7798 mills instead of the authorized 18 mills for school operating tax. In August 2022 the voters approved a millage renewal allowing the District to levy the entire 18 mills of summer operating tax in 2023.

Over the last two years the Watersmeet Township School District has had significant changes in staffing in administration and the business office. Currently the District now has a full time Superintendent, Administrative Assistant, part-time Superintendent's Consultant and a business services contract with the Gogebic Ontonagon Intermediate School District. New processes and procedures have been implemented to ensure sound financial decisions and the proper execution of transactions. These practices will address the findings reported in this audit and prevent future issues. The Board of Education and Administration are committed to fiscal responsibility in the use of District resources to help maximize educational opportunities for students.

**GOVERNMENTAL FUND EXPENDITURES**

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Total Expenditures June 30, 2022	Percentage	Total Expenditures June 30, 2021	Percentage
General Fund	\$ 4,172,990	88.58%	\$ 3,595,316	87.43%
Debt Service Fund	380,584	8.08%	393,217	9.56%
Food Service Fund	120,294	2.55%	119,418	2.90%
Book Store Fund	14,130	0.30%	1,145	0.03%
Student Activities	22,865	0.49%	3,342	0.08%
Scholarship Fund	-	0.00%	-	0.00%
	<b>\$ 4,710,863</b>	<b>100.00%</b>	<b>\$ 4,112,438</b>	<b>100.00%</b>

Watersmeet Township School District  
Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

**TOTAL REVENUES**

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds.

	Total Revenue June 30, 2022	Percentage	Total Revenue June 30, 2021	Percentage
State revenue sharing	\$ 516,865	11.01%	\$ 450,005	9.07%
Prop taxes general operation	2,748,418	58.53%	2,874,267	57.91%
Operating grants federal, state, local	1,125,806	23.98%	1,089,324	21.95%
Other revenue / support	278,796	5.94%	546,214	11.01%
Charges for services - local/support	25,857	0.55%	3,328	0.07%
<b>Total Revenues</b>	<b>\$ 4,695,742</b>	<b>100.00%</b>	<b>\$ 4,963,138</b>	<b>100.00%</b>

**Unrestricted State Aid**

The District receives State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have decreased due to property tax increases as compared to enrollment figures from the previous year.

**Property Taxes**

The District levies 17.7798 mills of property taxes on all Non-Homestead property located within the District for operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value.

The District levied 3.5 mills of property taxes on all classes of property located within the District for bonded debt retirement. The levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations.

**Operating Grants Federal, State, and Local**

The District is heavily dependent upon Grant funding. Below are some of the major grants and their funding sources:

State:	Title I, Part A, Title II, Part A, and Title IV, Part A.
Federal:	Impact Aid Section 7002, Impact Aid Section 7003, and Rural Education Achievement.
Local:	Schools and Roads.

Watersmeet Township School District  
Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

**ENROLLMENT**

The District's 2021-2022 State aid blended membership enrollments was 142. This is an increase of 2.75 students from the previous year. Watersmeet Township School District is located in Michigan's Upper Peninsula. The area has experienced economic downturn in previous years but has seen an increase in employment opportunities due to some large area businesses. As a result of this, more families have moved to the area. The county however continues to experience declining birth rates from previous years. The increase in enrollment is due to families moving into the area and school of choice.

Enrollment changes over the last five years can be illustrated as follows:

<u>Fiscal</u> <u>Year</u>	Student Enrollment (FTE)	Increase (Decrease) in Student Membership (FTE)
2022	142.00	2.75
2021	139.25	(1.95)
2020	141.2	(4.15)
2019	140.36	(4.15)
2018	144.51	5.40
2017	139.11	(19.13)

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year 2022, the District had \$8,477,544 invested in land and building, furniture and equipment, vehicles and buses compared to \$8,477,544 at June 30, 2021. Of this amount, \$3,781,372 and \$3,597,962 has been depreciated at June 30, 2022 and June 30, 2021 respectively. Net book value totaled \$4,696,172 at June 30, 2022, and \$4,879,582 at June 30, 2021. The District maintains a \$5,000 threshold for capitalization of assets.

**Outstanding Debt at Year End**

As of June 30, 2022, the District had \$640,000 in bonds outstanding, compared to \$980,000 at June 30, 2021. The District collects bonded debt across the total property values. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional bond debt.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This report is designed to give an overview of the financial conditions of the Watersmeet Township School District. For additional detailed financial information contact:

Patty Ollila, Assistant Director of Business and Finance  
Gogebic Ontonagon Intermediate School District  
N 4720 Hwy 45, Watersmeet, MI 49969  
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pollila@goisd.org

**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

June 30, 2022

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current assets:	
Cash and equivalents	\$ 1,403,208
Investments	907,803
Due from other governments	775,683
Inventory	<u>25,267</u>
Total current assets	<u>3,111,961</u>
Noncurrent assets:	
Capital assets	8,477,544
Accumulated depreciation	<u>(3,781,372)</u>
Total noncurrent assets	<u>4,696,172</u>
<b>TOTAL ASSETS</b>	<u><b>7,808,133</b></u>
<b>DEFERRED OUTFLOWS:</b>	
Pension outflows	626,817
Other post employment benefits outflow	<u>334,541</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>961,358</b></u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	19,018
Accrued interest	11,047
Accrued expenses	607,758
Deferred revenue	37,358
Early retirement and sick leave	18,000
Bonds payable	<u>335,000</u>
Total current liabilities	<u>1,028,181</u>
Noncurrent liabilities:	
Early retirement and sick leave	256,666
Bonds payable	305,000
Net pension liability	4,341,689
Net other post employment benefits liability	<u>279,803</u>
Total noncurrent liabilities	<u>5,183,158</u>
<b>TOTAL LIABILITIES</b>	<u><b>6,211,339</b></u>
<b>DEFERRED INFLOWS:</b>	
Pension inflows	1,698,147
Other post employment benefits inflow	<u>1,107,681</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>2,805,828</b></u>
<b>NET POSITION:</b>	
Net investment in capital assets	4,056,172
Restricted	1,023,722
Unrestricted	<u>(5,327,570)</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ (247,676)</b></u>

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





**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2022

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Change in Net Position</u>	
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>PRIMARY GOVERNMENT:</u>				<u>Governmental Activities</u>	
Governmental Activities:					
Instruction	\$ (2,197,047)	\$ -	\$ 979,215	\$ 23,155	\$ (1,194,677)
Support	(1,518,855)	-	-	-	(1,518,855)
School service	(212,408)	25,857	123,436	-	(63,115)
Depreciation	(183,410)	-	-	-	(183,410)
Debt interest, fees and expenses	(38,348)	-	-	-	(38,348)
<b>14 TOTAL PRIMARY GOVERNMENT</b>	<b>(4,150,068)</b>	<b>25,857</b>	<b>1,102,651</b>	<b>23,155</b>	<b>(2,998,405)</b>
General revenues:					
Property taxes				\$	2,748,418
State revenue sharing					516,865
Unrestricted investment earnings					2,746
Other					276,050
Total general revenues and transfers					3,544,079
Change in net position					545,674
Net position, beginning of year					(793,350)
Net position, end of year				\$	(247,676)

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

**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2022

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and equivalents	\$ 1,091,922	\$ 199,395	\$ 111,891	\$ 1,403,208
Investments	674,905	59,293	173,605	907,803
Inventory	-	-	25,267	25,267
Due from other funds	224,302	635,880	-	860,182
Due from other governments	765,522	-	10,161	775,683
<b>TOTAL ASSETS</b>	<b>2,756,651</b>	<b>894,568</b>	<b>320,924</b>	<b>3,972,143</b>
<b>LIABILITIES:</b>				
Accounts payable	18,037	-	981	19,018
Accrued expenses	603,150	-	4,608	607,758
Due to other funds	704,555	-	155,627	860,182
Deferred revenues	32,071	-	5,287	37,358
<b>TOTAL LIABILITIES</b>	<b>1,357,813</b>	<b>-</b>	<b>166,503</b>	<b>1,524,316</b>
<b>FUND BALANCE AND OTHER CREDITS:</b>				
Fund balances:				
Restricted	-	894,568	129,154	1,023,722
Nonspendable	-	-	25,267	25,267
Unassigned	1,398,838	-	-	1,398,838
<b>TOTAL FUND BALANCE AND OTHER CREDITS</b>	<b>1,398,838</b>	<b>894,568</b>	<b>154,421</b>	<b>2,447,827</b>
<b>TOTAL LIABILITIES, FUND BALANCE AND OTHER</b>	<b>\$ 2,756,651</b>	<b>\$ 894,568</b>	<b>\$ 320,924</b>	<b>\$ 3,972,143</b>

**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



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

**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

For the Year Ended June 30, 2022

Total fund balances for governmental funds \$ 2,447,827

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Total capital assets	\$ 8,477,544	
Accumulated depreciation	<u>(3,781,372)</u>	
Net capital assets		4,696,172

Deferred outflows of resources and deferred inflows of resources related to pensions (including other post employment benefits - OPEB) are not financial resources and therefore are not reported in the funds. Those resources consist of:

Deferred outflows of pension and OPEB resources	961,358	
Deferred inflows of pension and OPEB resources	<u>(2,805,828)</u>	
Net deferred pension and OPEB sources		(1,844,470)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Accrued interest on long-term debt		(11,047)
Bonds payable	(640,000)	
Early retirement and compensated absences	(274,666)	
Net OPEB liability	(279,803)	
Net pension liability	<u>\$ (4,341,689)</u>	<u>(5,536,158)</u>

Total net position of governmental activities \$ (247,676)





**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Local sources	\$ 2,347,597	\$ 632,370	\$ 49,881	\$ 3,029,848
State sources	512,427	-	4,438	516,865
Federal sources	979,215	-	123,436	1,102,651
<b>TOTAL REVENUES</b>	<u>3,839,239</u>	<u>632,370</u>	<u>177,755</u>	<u>4,649,364</u>
<b>EXPENDITURES:</b>				
Instruction	2,421,379	-	-	2,421,379
Supporting services	1,674,715	-	-	1,674,715
Debt service	-	380,584	-	380,584
School service	76,896	-	157,289	234,185
<b>TOTAL EXPENDITURES</b>	<u>4,172,990</u>	<u>380,584</u>	<u>157,289</u>	<u>4,710,863</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(333,751)</u>	<u>251,786</u>	<u>20,466</u>	<u>(61,499)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Payments received from other governmental units	21,101	-	-	21,101
Other sources	25,277	-	-	25,277
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>46,378</u>	<u>-</u>	<u>-</u>	<u>46,378</u>
<b>EXCESS OF EXPENDITURES AND OTHER FINANCING USES OVER REVENUES AND OTHER FINANCING SOURCES</b>	<u>(287,373)</u>	<u>251,786</u>	<u>20,466</u>	<u>(15,121)</u>
<b>FUND BALANCE, JULY 1</b>	<u>1,686,211</u>	<u>642,782</u>	<u>133,955</u>	<u>2,462,948</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 1,398,838</u>	<u>\$ 894,568</u>	<u>\$ 154,421</u>	<u>\$ 2,447,827</u>

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



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

For the Year Ended June 30, 2022

Net changes in fund balances - total governmental funds \$ (15,121)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$183,410) exceeded capital outlay \$0 net of deletions. (183,410)

The change in net deferred outflow/inflows and pension and OPEB liability is not recorded in the governmental funds. However, in the statement of activities this change is recognized as an adjustment to instruction, support and community service expenses as it relates to these categories. 402,534

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal repayments:  
    Bond principal 340,000

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(565)
Accrued interest	<u>2,236</u>
Changes in net position of governmental activities	<u>\$ 545,674</u>



## WATERSMEET TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Watersmeet Township School District (“District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. Some of the significant changes in the statement include the following:

A Management’s Discussion and Analysis section providing an analysis of the District’s overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the District’s activities.

A change in the fund financial statements to focus on the major funds.

Effective for periods beginning after December 15, 2011, GASB Statement No. 63, effective for periods after December 15, 2012, GASB 65 amends Statement No. 34, and effective for periods beginning after June 15, 2015, GASB Statement No. 68 an amendment of GASB Statement No. 27, and GASB Statement No. 71 an amendment of GASB Statement No. 68. Statement No. 63 and No. 65 establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Statements No. 68, 71 and 75 establish standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense/expenditures for defined benefit pension plans and Other Post-Employment Benefits. Effective for periods beginning after December 15, 2019, GASB Statement No. 84 establishes standards for reporting fiduciary activities. GASB Statement No. 87, effective for periods beginning after June 15, 2021, establishes lease reporting standards.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has implemented the provisions of these Statements.

#### A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement No. 14, *The Financial Reporting Entity* and as amended by GASB Statement No. 61.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity’s financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it has been determined that there are no component units of the Watersmeet Township School District.



## WATERSMEET TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

(Continued)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### B. Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities except for fiduciary activities.

In the government-wide Statement of Net Position, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in two parts – net investment in capital assets, restricted, and unrestricted.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.).

The District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

##### C. Basic Financial Statements – Fund Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:

Governmental Funds - Governmental funds are used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except for those accounted for in fiduciary funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

General Fund - The General Fund is the primary operating fund of the District. It is used to account for all financial transactions of the District, except those required to be accounted for in other funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses the Special Revenue Fund to account for the Watersmeet Township School District's activity.

Account Groups – Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The following are the District's account groups:

General Fixed Assets – This group of accounts was established to account for all general fixed assets of the District.

General Long-Term Obligations – This group of accounts has been established to account for unmatured general long-term obligations and certain other liabilities of the District not expected to be liquidated through the use of available expendable financial resources.

**D. Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. The governmental-wide statement uses the economic resources measurement focus.

**Accrual**

Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after the year end. A one-year period is used for revenue recognition for all other governmental fund revenues. Those revenues prone to accrual are property taxes, federal aid, interest-revenue, and charges for services.

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

State Foundation Revenue - For the fiscal year ended June 30, 2022, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. In previous years, the state utilized a district power equalizing approach. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2022, the foundation allowance was based on 10% of the pupil membership count taken in February of 2021 and 90% taken in October of 2021.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

**E. Cash and Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Interfund Balances and Transfers**

The current portion of lending/borrowing arrangements between funds are identified as "due to/from other funds". The non-current portion of outstanding balances between funds are reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. Transfers represent a flow of assets without equivalent flows of assets in return or a requirement for repayment.

**G. Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

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

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

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

The District has adopted a capitalization policy of \$5,000.

**H. Inventories**

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value and consisted of items for the bookstore. Inventories for commodities are recorded as revenue when utilized.

**I. Long-Term Debt**

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

**J. Compensated Absences**

Amounts representing accumulated vacation and personal leave expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized as revenue when levied to the extent they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

The District, along with certain other governmental units, is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2022, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund Mills</u>	
General Fund - Non-Homestead	17.7798
Debt Service	3.5000

**L. Unemployment Insurance**

The District reimburses the Unemployment Insurance Agency (UIA) for the actual amount of unemployment benefits disbursed by the UIA on behalf of the District. Billings received for amounts paid by the UIA through June 30 are accrued.

**M. Fund Balance**

Nonspendable fund balance represents the amount that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. Restricted fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Committed fund balance represents the amount that can only be used for specific purposes pursuant to formal action by the Board of Education. Commitments may be modified or rescinded only through action approved by the Board of Education. Assigned fund balances represent amounts set aside by the governing body for specific purposes, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Director of Finance under the authorization of the Board of Education. The unassigned fund balances for governmental funds represent the amount available for budgeting future operations.





**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Budgets**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end. The District follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - all governmental fund types.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget, or in excess of the amount appropriated. Any expenditure in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP basis) - all governmental fund types.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved June 27, 2022.

The budget for the year ended June 30, 2022 was adopted on June 28, 2021 and formally amended at each monthly board of education meeting.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund, Special Education Fund, Technical Education Fund, and Early Childhood Education Fund are presented as Required Supplementary Information.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

O. Subsequent Events:

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 28, 2022, which is the date the financial statements were available to be issued.

P. Pension:

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

Q. Other Post-Employment Benefits:

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

**NOTE 2 – CASH AND INVESTMENTS**

Cash and Equivalents

The District's cash and equivalents, as reported in the Statement of Net Position, consisted of the following:

Checking accounts	<u>\$1,403,208</u>
-------------------	--------------------

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law requires the District's Deposit Accounts be fully insured. As of June 30, 2022, the reported amount of the District's deposits was \$1,424,717. As of June 30, 2022, of the bank balance, \$528,225 was covered by federal depository insurance and \$896,492 was uninsured and uncollateralized.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 2 – CASH AND INVESTMENTS – Continued**

Investments

The District's investments, as reported in the Statement of Net Position, consisted of the following:

(Investment Maturities in Years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>&lt; 1 Year</u>
MILAF	\$ 536,254	\$ 536,254
Certificates of Deposit	<u>371,549</u>	<u>371,549</u>
Total	<u>\$ 907,803</u>	<u>\$ 907,803</u>

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Investments are recorded at fair market value, which is based on quoted market prices.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2022, the District's investments were not exposed to credit risk due to them being fully insured.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments are with the First National Bank and Trust Company. The District's investments are not subject to interest rate risk.

*Concentration of Credit Risk.* The District places no limit on the amount the District may invest in one issuer. However, the District is required to have all funds in excess of insured amounts collateralized. The District's investments and balances are with the following financial institutions:

Michigan Liquid Asset Fund Plus	\$ 536,254
Gogebic Rang Bank, Berland, MI	25,000
Miners State Bank, Iron River, MI	<u>346,549</u>
Total	<u>\$ 907,803</u>



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 3 – INTERFUND BALANCES AND TRANSFERS**

Interfund transfers and balances for the year ended June 30, 2022 are as follows and represent amounts transferred to other funds to cover expenses incurred in the other funds.

	<u>Due To</u>	<u>Due From</u>
General Fund:		
Student Activity	\$ 2,442	\$ 26,201
Food Service	12,306	144,174
Athletic Fund	52,548	52,548
Debt Service	<u>637,259</u>	<u>1,379</u>
Total	<u>704,555</u>	<u>224,302</u>
Student Activities		
General Fund	<u>23,759</u>	<u>-</u>
Food Service:		
General Fund	<u>131,868</u>	<u>-</u>
Debt Service:		
General Fund	<u>-</u>	<u>635,880</u>
Total	<u>\$ 860,182</u>	<u>\$ 860,182</u>

**NOTE 4 – CAPITAL ASSETS**

A summary of changes in general fixed assets for the year ended June 30, 2022 follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
<i>Assets not subject to depreciation:</i>				
Land	\$ 42,000	\$ -	\$ -	\$ 42,000
<i>Assets subject to depreciation:</i>				
Land improvement and buildings	7,839,547	-	-	7,839,547
Equipment	<u>595,997</u>	<u>-</u>	<u>-</u>	<u>595,997</u>
<b>TOTALS</b>	8,477,544	<u>\$ -</u>	<u>\$ -</u>	8,477,544
Accumulated depreciation	<u>(3,597,962)</u>	<u>\$ (183,410)</u>	<u>\$ -</u>	<u>(3,781,372)</u>
Net capital assets	<u>\$ 4,879,582</u>			<u>\$ 4,696,172</u>

Depreciation for the year ended June 30, 2022, amounted to \$183,410. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 5 – LONG-TERM OBLIGATIONS**

During the year ended June 30, 2022, the following changes occurred in long-term obligations:

	Balance <u>July 1, 2021</u>	Additions	Reductions	Balance <u>June 30, 2022</u>	Amounts Due Within <u>One Year</u>
General obligation bonds	\$ 980,000	\$ -	\$ (340,000)	\$ 640,000	\$ 335,000
Vested compensated absences	274,101	-	(65,435)	208,666	-
Early retirement incentives	-	74,000	(8,000)	66,000	18,000
Net OPEB Liability	979,073	-	(699,270)	279,803	-
Net Pension Liability	<u>6,255,446</u>	-	<u>(1,913,757)</u>	<u>4,341,689</u>	-
 TOTALS	 <u>\$ 8,488,620</u>	 <u>\$ 74,000</u>	 <u>\$ (3,026,462)</u>	 <u>\$ 5,536,158</u>	 <u>\$ 353,000</u>

Long-term obligations at June 30, 2022 is comprised of the following amounts:

1. 2006 Refunding Bonds due in annual installments of \$15,000 to \$345,000 through May 1, 2027 with interest from 3.75% to 4.00%.	\$ 640,000
2. Vested compensated absences.	208,666
3. Early retirement incentive.	66,000
3. Net OPEB liability	279,803
4. Net pension liability.	<u>4,341,689</u>
<b>TOTAL LONG-TERM OBLIGATIONS</b>	<b><u>\$ 5,536,158</u></b>



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 5 – LONG-TERM OBLIGATIONS (Continued)**

The annual requirements to amortize long-term obligations outstanding as of June 30, 2022 are as follows:

Year Ended June 30	General Obligation Bonds	Interest	Sick Leave and Early Retirement	Pension & OPEB Liability	Total
2023	\$ 335,000	\$ 67,200	\$ 18,000	\$ -	\$ 420,200
2024	305,000	53,800	18,000	-	376,800
2025	-	-	10,000	-	10,000
2026	-	-	10,000	-	10,000
2027	-	-	218,666	-	218,666
Thereafter	-	-	-	4,621,492	4,621,492
<b>TOTALS</b>	<b>\$ 640,000</b>	<b>\$ 121,000</b>	<b>\$ 274,666</b>	<b>\$ 4,621,492</b>	<b>\$ 5,657,158</b>

Interest expense for the year ended June 30, 2022 was \$39,200.

**NOTE 6 – FUND BALANCES**

Portions of fund balances are nonspendable, restricted, committed, or assigned and not available for general purposes other than fund usage as follows:

Book Store – Restricted for bookstore	<u>\$43,816</u>
Nonspendable	<u>\$22,944</u>
Food Service – Restricted for food service	<u>\$23,750</u>
Nonspendable inventory	<u>\$2,323</u>
Debt Service – Restricted for debt service	<u>\$894,568</u>
Student Activities– Restricted for student activities	<u>\$18,916</u>
Scholarship Fund- Restricted for scholarships	<u>\$42,672</u>
<b>TOTAL</b>	<b><u>\$1,048,989</u></b>

**NOTE 7 – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

**Plan Description**

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



## WATERSMEET TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

(Continued)

#### **NOTE 7 – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

##### **Plan Description (Continued)**

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

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

The System's financial statements are available at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

##### **Benefits Provided**

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

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

##### **Contributions**

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

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



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 7 – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

**Contributions (Continued)**

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

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

Required contributions to the pension plan from the District were \$550,633 for the year ended September 30, 2021.

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

At June 30, 2022, the District reported a liability of \$4,341,689 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.0001833839 percent, which was an increase of 0.0000012806 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$384.860. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:





**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 7 – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$67,255	\$25,567
Changes of Assumptions	273,685	-
Net difference between projected and actual earnings on pension plan investments	-	1,395,839
Changes in proportion and differences between Employer contributions and proportionate share of contributions	55,489	276,741
Employer contributions subsequent to the measurement date	230,388	-
<b>Total</b>	<b><u>\$626,817</u></b>	<b><u>\$1,698,147</u></b>

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
Year Ending September 30	Amount
2022	\$(20,449)
2023	\$(331,650)
2024	\$(345,475)
2025	\$(373,756)



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 7 – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans	6.80% net of investment expenses
- Pension Plus Plan:	6.80% net of investment expenses
- Pension Plus 2 Plan:	6.0% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projections scale MP-2017 from 2006. Active members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

*Notes:*

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



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 7 – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

**Long-Term Expected Return on Plan Assets**

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

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

*\*Long term rate of return does not include 2.0% inflation*

**Rate of Return**

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



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 7 – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

**Discount Rate**

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

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

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

1% Decrease (Non-Hybrid/Hybrid)* 5.80% / 6.80% / 5.00%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 6.80% / 6.80% / 6.00%	1% Increase (Non-Hybrid/Hybrid)* 7.80% / 7.80% / 7.00%
\$6,207,438	\$4,341,689	\$2,794,861
<p><i>* Discount rates listed in the following order: Basic, Member Investment Plan (MIP), Pension Plus and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University Employers provide only the Basic and MIP plans.</i></p>		

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

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPERS CAFR. Available at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan Description**

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

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

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

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

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



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Benefits Provided (Continued)**

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

**Contributions**

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

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

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

OPEB Contribution Rates			
Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.91%	8.43%
Personal Healthcare Fund (PHF)	0.00%	5.99%	7.57%

Required contributions to the OPEB plan from the District were \$136,081 for the year ended September 30, 2021.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

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

At June 30, 2022, the District reported a liability of \$279,803 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The District’s proportion of the net OPEB liability was determined by dividing each employer’s statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. On September 30, 2021, the District’s proportion was 0.0001833119 percent, which was a increase of 0.0000005559 from its proportion measured as of October 1, 2020.

For the year ending June 30, 2022, the District recognized OPEB expense of \$(184,025). On June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$-	\$798,678
Changes of Assumptions	233,902	35,000
Net difference between projected and actual earnings on OPEB plan investments	-	210,893
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,314	63,110
Employer contributions subsequent to the measurement date	94,325	-
<b>Total</b>	<b>\$334,541</b>	<b>\$1,107,681</b>

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



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2022	\$(144,243)
2023	\$(215,184)
2024	\$(186,312)
2025	\$(163,711)
2026	\$(56,305)
Thereafter	\$(7,385)

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 15; 3.0% Year 120





**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Actuarial Assumptions (Continued)**

**Mortality:**

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

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

**Other Assumptions:**

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

*Notes:*

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

**Long-Term Expected Return on Plan Assets**

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



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Long-Term Expected Return on Plan Assets (Continued)**

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

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

**Rate of Return**

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

**Discount Rate**

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



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate**

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

<b>1% Decrease 5.95%</b>	<b>Current Discount Rate 6.95%</b>	<b>1% Increase 7.95%</b>
\$519,925	\$279,803	\$76,026

**Sensitivity of the District’s proportionate share of the net OPEB liability to Healthcare Cost Trend Rate**

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

<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
\$68,102	\$279,803	\$517,993

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2021 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**NOTE 9 – 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2022

(Continued)

**NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participated in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**NOTE 11 – SUBSEQUENT EVENTS**

The COVID-19 pandemic has continued in 2022, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The District has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our teachers and students (such as social distancing and remote learning).

At this stage, the impact on the District has not been significant and based on our experience to date, we expect this to remain the case. As the District operates in state funded education, we have experienced increased grants provided to the District. The District will continue to follow the various government policies and advice and will continue to operate in the best and safest way possible without jeopardizing the health of the staff and students.

**NOTE 12 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Public Act 621 of 1978, as amended, provides that a District shall not incur expenditures in excess of amounts appropriated. The District budgeted expenditures on a functional basis.

During the year ended June 30, 2022, the District's General Fund incurred expenditures which were in excess of the amounts appropriated.

	<u>Appropriated</u>	<u>Actual</u>	<u>Over</u>
Instruction	\$ 2,336,422	\$ 2,421,379	\$ 84,957
Athletics	<u>                  -</u>	<u>          76,896</u>	<u>          76,896</u>
Total	<u>          2,336,422</u>	<u>          2,498,275</u>	<u>          161,853</u>





**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REQUIRED SUPPLEMENTARY INFORMATION**

**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND**

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis) (Note 1)
	Original	Final	
<b>REVENUES:</b>			
Local sources	\$ 2,291,600	\$ 2,454,642	\$ 2,347,597
State sources	385,327	501,834	512,427
Federal sources	592,814	983,410	979,215
<b>TOTAL REVENUES</b>	<b>3,269,741</b>	<b>3,939,886</b>	<b>3,839,239</b>
<b>EXPENDITURES:</b>			
Instruction	2,368,476	2,336,422	2,421,379
Supporting services	1,406,655	1,770,307	1,674,715
School service	-	-	76,896
<b>TOTAL EXPENDITURES</b>	<b>3,775,131</b>	<b>4,106,729</b>	<b>4,172,990</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(505,390)</b>	<b>(166,843)</b>	<b>(333,751)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Payments received from other governmental units	16,227	23,658	21,101
Other sources	-	-	25,277
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>16,227</b>	<b>23,658</b>	<b>46,378</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(489,163)</b>	<b>(143,185)</b>	<b>(287,373)</b>
<b>FUND BALANCE, JULY 1</b>	<b>1,686,211</b>	<b>1,686,211</b>	<b>1,686,211</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 1,197,048</b>	<b>\$ 1,543,026</b>	<b>\$ 1,398,838</b>

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





WATERSMEET TOWNSHIP SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (Amounts were determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. Reporting unit's proportion of net pension liability (%)			0.01833839%	0.01821033%	0.01869399%	0.02098332%	0.0200740%	0.0197706%	0.01938477%	0.01869%
B. Reporting unit's proportionate share of net pension liability			\$ 4,341,689	\$ 6,255,446	\$ 6,190,821	\$ 6,307,965	\$ 5,202,014	\$ 4,932,590	\$ 4,734,735	\$ 4,117,168
C. Reporting unit's covered-employee payroll			\$ 1,671,877	\$ 1,609,073	\$ 1,605,482	\$ 1,640,737	\$ 1,684,333	\$ 1,693,506	\$ 1,383,886	\$ 1,424,588
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)			259.68950%	388.76086%	385.60513%	384.45924%	308.84712%	291.26499%	342.13331%	289.00763%
E. Plan fiduciary net position as a percentage of total pension liability			72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS**

**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**

LAST 10 FISCAL YEARS (Amounts were determined as of 6/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions			\$ 550,633	\$ 500,444	\$ 496,613	\$ 571,380	\$ 470,841	\$ 443,958	\$ 373,957	\$ 290,296
B. Contributions in relation to statutorily required contributions*			\$ 550,633	\$ 414,333	\$ 592,125	\$ 605,861	\$ 610,390	\$ 465,091	\$ 424,748	\$ 395,623
C. Contribution deficiency (excess)			\$ -	\$ 86,111	\$ (95,512)	\$ (34,481)	\$ (139,549)	\$ (21,133)	\$ (50,791)	\$ (105,327)
D. Reporting unit's covered-employee payroll			\$ 1,787,882	\$ 1,609,073	\$ 1,624,914	\$ 1,640,737	\$ 1,633,083	\$ 1,555,268	\$ 1,383,886	\$ 1,424,588
E. Contributions as a percentage of covered-employee payroll			30.79806%	25.74980%	36.44039%	36.92615%	37.37654%	29.90424%	30.69241%	27.77105%

\* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPSERS, which may differ from the statutorily required contributions.

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





**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (Amounts were determined as of 9/30 of each fiscal year)**

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
A. Reporting unit's proportion of net OPEB liability (%)						0.01833119%	0.01827560%	0.01825300%	0.01918541%	0.02000738%
B. Reporting unit's proportionate share of net OPEB liability						\$ 279,803	\$ 979,073	\$ 1,310,154	\$ 1,525,039	\$ 1,771,748
C. Reporting unit's covered-employee payroll						\$ 1,671,877	\$ 1,609,073	\$ 1,605,482	\$ 1,640,737	\$ 1,633,083
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)						597.51933%	164.34658%	122.54147%	107.58656%	92.17355%
E. Plan fiduciary net position as a percentage of total OPEB liability						87.33%	59.44%	48.46%	42.95%	36.39%

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



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
LAST 10 FISCAL YEARS (Amounts were determined as of 6/30 of each fiscal year)

	<u>2027</u>	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Statutorily required OPEB contributions						\$ 136,081	\$ 129,122	\$ 125,327	\$ 124,532	\$ 155,766
B. OPEB contributions in relation to statutorily required contributions*						\$ 136,081	\$ 126,116	\$ 204,154	\$ 32,916	\$ 33,292
C. Contribution deficiency (excess)						\$ -	\$ 3,006	\$ (78,827)	\$ 91,616	\$ 122,474
D. Reporting unit's covered-employee payroll						\$1,787,882	\$1,609,073	\$1,624,914	\$1,640,737	\$ 1,633,083
E. OPEB contributions as a percentage of covered-employee payroll						7.61130%	7.83780%	12.56399%	2.00617%	2.03860%

\* Contributions in relation to statutorily required OPEB contributions are the contributions an employer actual made to the OPEB Plans, as distinct from the statutorily required contributions.

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



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

OTHER SUPPLEMENTARY INFORMATION

**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2022

	Special Revenue		
	Food Service	Bookstore	Student Activities
<b>ASSETS:</b>			
Cash and equivalents	\$ 7,728	\$ 18,816	\$ 42,675
Investments	148,605	25,000	-
Inventory	2,323	22,944	-
Due from other governments	10,161	-	-
<b>TOTAL ASSETS</b>	<u>168,817</u>	<u>66,760</u>	<u>42,675</u>
<b>LIABILITIES:</b>			
Accounts payable	981	-	-
Accrued expenditures	4,608	-	-
Deferred revenues	5,287	-	-
Due to other funds	131,868	-	23,759
<b>TOTAL LIABILITIES</b>	<u>142,744</u>	<u>-</u>	<u>23,759</u>
<b>TOTAL LIABILITIES</b>	<u>142,744</u>	<u>-</u>	<u>23,759</u>
<b>FUND BALANCE AND OTHER CREDITS:</b>			
Fund balances:			
Restricted	23,750	43,816	18,916
Nonspendable	2,323	22,944	-
<b>TOTAL FUND BALANCE AND OTHER CREDITS</b>	<u>26,073</u>	<u>66,760</u>	<u>18,916</u>
<b>TOTAL LIABILITIES, FUND BALANCE AND OTHER</b>	<u>\$ 168,817</u>	<u>\$ 66,760</u>	<u>\$ 42,675</u>



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



Scholarship Funds	Total Nonmajor Governmental Funds
\$ 42,672	\$ 111,891
-	173,605
-	25,267
-	10,161
<u>42,672</u>	<u>320,924</u>
-	981
-	4,608
-	5,287
-	<u>155,627</u>
-	<u>166,503</u>
-	<u>166,503</u>
42,672	129,154
<u>-</u>	<u>25,267</u>
<u>42,672</u>	<u>154,421</u>
<u>\$ 42,672</u>	<u>\$ 320,924</u>

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

**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2022

	Special Revenue			Scholarship Funds	Total Nonmajor Governmental Funds
	Food Service	Bookstore	Student Activities		
REVENUES:					
Local sources	\$ 5,372	\$ 17,012	\$ 27,344	\$ 152	\$ 49,880
State sources	4,438	-	-	-	4,438
Federal sources	123,437	-	-	-	123,437
<b>TOTAL REVENUES</b>	<b>133,247</b>	<b>17,012</b>	<b>27,344</b>	<b>152</b>	<b>177,755</b>
EXPENDITURES:					
School service	120,294	14,130	22,865	-	157,289
<b>TOTAL EXPENDITURES</b>	<b>120,294</b>	<b>14,130</b>	<b>22,865</b>	<b>-</b>	<b>157,289</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,953	2,882	4,479	152	20,466
EXCESS OF EXPENDITURES AND OTHER FINANCING USES OVER REVENUES AND OTHER FINANCING SOURCES	12,953	2,882	4,479	152	20,466
FUND BALANCE, JULY 1	13,120	63,878	14,437	42,520	133,955
FUND BALANCE, JUNE 30	\$ 26,073	\$ 66,760	\$ 18,916	\$ 42,672	\$ 154,421

**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



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



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**FEDERAL SINGLE AUDIT REPORTS**

For the Year Ended June 30, 2022

**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

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

Board of Education  
Watersmeet Township School District  
Watersmeet, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the governmental activities, each major fund, the aggregate remaining fund information, and each fiduciary fund type of the Watersmeet Township School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Watersmeet Township School District's basic financial statements, and have issued our report thereon dated October 28, 2022.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2022-004 and 2022-005 to be significant deficiencies.



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

**Watersmeet Township School District's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the Watersmeet Township School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Watersmeet Township School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Watersmeet Township School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of material noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-002 & 2022-003.

**Watersmeet Township School District's Response to Findings**

Watersmeet Township School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Watersmeet Township School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

October 28, 2022

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

Board of Education  
Watersmeet Township School District  
Watersmeet, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Watersmeet Township School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Watersmeet Township School District's major federal programs for the year ended June 30, 2022. Watersmeet Township School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Watersmeet Township School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Watersmeet Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

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



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

**Report on Internal Control Over Compliance**

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

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

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

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

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

*Anderson Tackman & Co. PLLC*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

October 28, 2022





**WATERSMEET TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2022

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2021		Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	June 30, 2022 Accrued / (Deferred) Revenue
			Accrued Receivable	Deferred Revenue				
<b><u>GENERAL FUND</u></b>								
<b><u>Flow Through - Michigan</u></b>								
<b><u>Department of Education:</u></b>								
<b><u>Title I, Part A - Improving Basic Programs</u></b>								
Source Project #27080201530	84.010A	\$ 40,505	\$ 15,228	\$ -	\$ 40,505	\$ -	\$ 15,228	\$ -
Source Project #27080221530		42,069	-	-	-	41,719	-	41,719
		<u>82,574</u>	<u>15,228</u>	<u>-</u>	<u>40,505</u>	<u>41,719</u>	<u>15,228</u>	<u>41,719</u>
<b><u>Title II, Part A - Teacher/Principal Training &amp; Recruiting</u></b>								
Source Project #27080200520	84.367A	6,997	6,997	-	6,997	-	6,997	-
<b><u>Title IV Part A - Student Support &amp; Academic Enrichment</u></b>								
Source Project #27080200750	84.424A	20,000	20,000	-	20,000	-	20,000	-
Source Project #27080220750		10,000	-	-	-	10,000	-	10,000
		<u>30,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>10,000</u>	<u>20,000</u>	<u>10,000</u>
<b><u>Federal Coronavirus Relief Fund</u></b>								
GEER Funds K-12	84.425C	12,646	-	-	-	12,646	-	12,646
ESSER - Formula	84.425D	25,538	-	-	-	10,234	-	10,234
ESSER III - Formula	84.425U	196,806	-	-	-	190,320	-	190,320
		<u>234,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,200</u>	<u>-</u>	<u>213,200</u>
<b>TOTAL MICHIGAN DEPARTMENT OF EDUCATION</b>		<b>\$ 354,561</b>	<b>\$ 42,225</b>	<b>\$ -</b>	<b>\$ 67,502</b>	<b>\$ 264,919</b>	<b>\$ 42,225</b>	<b>\$ 264,919</b>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2022

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2021		Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	June 30, 2022 Accrued / (Deferred) Revenue
			Accrued Receivable	Deferred Revenue				
<u>GENERAL FUND - Continued</u>								
<u>U.S Department of Education</u>								
<u>Impact Aid Section 7002</u>	84.041A							
Source Project #321403		\$ 307,332	\$ -	\$ -	\$ -	\$ 307,332	\$ 307,332	\$ -
<u>Impact Aid Section 7003</u>	84.041B							
Source Project #321403		290,115	-	-	-	290,115	290,115	-
<u>Impact Aid Section 7007</u>	84.041C							
Source Project #041B202469		3,223	-	-	-	3,223	3,223	-
<u>Rural Education Achievement</u>	84.358A							
Source Project #S358A200437 - 2020		13,546	-	-	-	-	13,546	(13,546)
Source Project #S358A193607 - 2019		12,315	-	-	-	-	12,315	(12,315)
Source Project #S358A183840 - 2018		17,310	-	-	-	12,785	17,310	(4,525)
Source Project #S358A211672 - 2021		12,164	-	-	-	10,479	12,164	(1,685)
		55,335	-	-	-	23,264	55,335	(32,071)
<b>TOTAL US DEPARTMENT OF EDUCATION</b>		<b>656,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>623,934</b>	<b>656,005</b>	<b>(32,071)</b>
<u>Flow Through - Gogebic County</u>								
<u>Schools and Roads Grant</u>	10.666							
Source Project #22-124		90,362	-	-	-	90,362	90,362	-
<b>TOTAL MICHIGAN DEPARTMENT OF EDUCATION, US DEPARTMENT OF EDUCATION, AND US DEPARTMENT OF INTERIOR</b>		<b>\$ 1,100,928</b>	<b>\$ 42,225</b>	<b>\$ -</b>	<b>\$ 67,502</b>	<b>\$ 979,215</b>	<b>\$ 788,592</b>	<b>\$ 232,848</b>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2022

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2021		Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	June 30, 2022 Accrued / (Deferred) Revenue
			Accrued Receivable	Deferred Revenue				
<b><u>FOOD SERVICE FUND</u></b>								
<u>Flow Through - Michigan</u>								
<u>Department of Education</u>								
<u>U.S. Department of Agriculture</u>								
National School Seamless Summer Option Brkfst	10.553	27,356	-	-	-	27,356	26,386	970
National School Seamless Summer Option Lunch	10.555	72,287	-	-	-	72,287	70,167	2,120
National School Lunch Program - Supply Chain Assistance Grant	10.555	7,514	-	-	-	2,227	7,514	(5,287)
National School Lunch Program - Fresh Fruit & Vegetable Program	10.582	3,933	-	-	-	1,691	767	924
National School Lunch Program - Non-cash (Commodities-Regular)	10.555	7,172	-	-	-	7,708	7,708	-
Summer Food Service Program For Children 210904	10.559	11,553	-	-	-	11,553	9,483	2,070
Pandemic EBT Local Level Costs	10.649	614	-	-	-	614	614	-
		<u>130,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,436</u>	<u>122,639</u>	<u>797</u>
<b>TOTAL MICHIGN DEPARTMENT OF EDUCATION, US DEPARTMENT OF AGRICULTURE, AND FOOD SERVICE FUND</b>		<b><u>\$ 130,430</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 123,436</u></b>	<b><u>\$ 122,639</u></b>	<b><u>\$ 797</u></b>
<b>TOTAL FEDERAL AWARDS</b>		<b><u>\$ 1,231,358</u></b>	<b><u>\$ 42,225</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 67,502</u></b>	<b><u>\$ 1,102,651</u></b>	<b><u>\$ 911,231</u></b>	<b><u>\$ 233,645</u></b>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2022

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is a summary of the activity of the Watersmeet Township School District's federal award programs and presents transactions that are included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

**NOTE 2 - FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule using Recipient Entitlement Balance Report and other district records. Spoilage of pilferage, if any, is included in expenditures.

**NOTE 3 - COST REPORTS**

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports.

**NOTE 4 - INDIRECT COST RATE**

Watersmeet Township School District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.





**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2022

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statement**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material Weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  No

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

Impact Aid, Title VII: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  Yes  No

Identification of major programs:

**CFDA**

**Name of Federal Program or Cluster**

84.041

Impact Aid, Title VII

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

Auditee qualified as low risk auditee?  Yes  No



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2022

(Continued)

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**MATERIAL WEAKNESS**

Finding 2022-001

Statement of Condition:

During review of the bookstore trial balance, it was noted no transactions were recorded for the fiscal year.

Criteria:

Governmental regulations require the District to have effective internal controls and accountability must be maintained for all funds.

Perspective Information:

District lacked internal controls over financial reporting.

Questioned Costs:

\$2,882

Effect:

The financial statements may be materially misstated.

Cause:

Lack of internal controls over financial reporting.

Recommendation:

The District should implement policies and procedures to help ensure that all transactions are properly recorded in each fund and year end closing procedures are performed timely.

Management's Response:

The District has contracted business services with the Gogebic-Ontonagon Intermediate School District (GOISD). An employee from the GOISD is onsite one day a week and available for remote work the rest of the week. Policies will be put in place to help ensure that all transactions are recorded in the proper funds in a timely manner.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2022

(Continued)

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**COMPLIANCE WITH LAWS AND REGULATIONS**

**MATERIAL WEAKNESS**

Finding 2022-002

Statement of Condition:

During the review of property tax it was noted money collected for debt service was recorded in the general fund bank account and not remitted to the debt service fund in a timely manner.

Criteria:

Local units of government are required to remit taxes to the correct fund in a timely manner.

Perspective Information:

District lacked internal controls over property taxes collected.

Questioned Costs:

\$629,968

Effect:

Tax monies collected for debt service are in an unrestricted fund.

Cause:

Lack of internal controls over tax revenue.

Recommendation:

The District should implement policies and procedures to ensure tax monies collected on behalf of the debt service fund are remitted in a timely manner in accordance with State of Michigan statutes.

Management's Response:

The District will implement stronger controls over the remittance of tax revenue to the correct funds.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2022

(Continued)

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**COMPLIANCE WITH LAWS AND REGULATIONS**

**MATERIAL WEAKNESS**

**Finding 2022-003**

**Statement of Condition:**

The District's General Fund incurred expenditures in excess of appropriations of \$84,957 related to instruction and \$76,896 related to school service.

**Criteria:**

Public Act 621 of 1978, as amended, provides that a District shall not incur expenditures in excess of amounts appropriated.

**Condition:**

The District is not in compliance with Public Act 621 of 1978, as amended, as described in the *Criteria* section above.

**Questioned Costs:**

\$84,957 and \$76,896, respectively

**Effect:**

The District is not in compliance with Public Act 621 of 1978, as amended.

**Cause:**

The District's General Fund incurred expenditures in excess of the amounts appropriated for instruction.

**Recommendation:**

The District should review budgeted amounts on a regular basis and amend the budget as necessary.

**Management's Response:**

The District will review budgeted amounts throughout the year and will amend the budget accordingly.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2022

(Continued)

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**SIGNIFICANT DEFICIENCY**

**Finding 2022-004**

**Statement of Condition:**

During the review of payroll there was no support for payroll rates for five employees.

**Criteria:**

Local units of government are required have internal controls requiring support for all transactions proving they are usual, reasonable, and allowable business expenses.

**Perspective Information:**

District lacked internal controls over record keeping.

**Questioned Costs:**

None

**Effect:**

Financial statement balances may be misstated.

**Cause:**

Lack of internal controls.

**Recommendation:**

The District should implement the policies and procedures to ensure all employee pay rates are documented and available for review.

**Management's Response:**

The District has contracted business services with the Gogebic-Ontonagon Intermediate School District (GOISD). An employee from the GOISD is onsite one day a week and available for remote work the rest of the week. Employee files will be reviewed for all required information.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2022

(Continued)

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCY**

**Finding 2022-005**

**Statement of Condition:**

It was noted the District does not possess staff with the skills necessary to draft the financial statements and related note disclosures.

**Criteria:**

Local units of government are required to possess the skills, knowledge, and experience necessary to prepare financial statements and related note disclosures in accordance with generally accepted accounting principles.

**Perspective Information:**

Staff lack the skills, knowledge, and experience necessary to prepare financial statements and related note disclosures.

**Questioned Costs:**

None

**Effect:**

Financial statement balances may be misstated.

**Cause:**

Lack of skills, knowledge, and experience necessary.

**Recommendation:**

The District should utilize their financial consultant to help draft the financial statements and related note disclosures in future periods.

**Management's Response:**

Management agrees and has engaged a third-party consultant to work directly with the Superintendent and District Clerk.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2022

(Continued)

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Finding 2021-001**

(MATERIAL WEAKNESS)

**Statement of Condition:**

During the review of credit cards and expanded testing of non-payroll checks written to the former Superintendent and Business Manager it was noted 57%, or \$29,839, of credit card charges and one check totaling \$2,560 written to the former Business Manager were unsupported.

**Recommendation:**

The District should implement the control necessary to ensure all transactions have support showing they are usual, reasonable, and allowable business expenses.

**Current Status:**

The District has implemented stronger controls and procedures over credit cards for the period after the fieldwork was performed in the prior year. As such, this finding is cleared.

**Finding 2021-002**

(MATERIAL WEAKNESS)

**Statement of Condition:**

During inventory price testing it was noted invoices could not be located for 6 of 15 items selected for testing resulting in a material extrapolated difference in valuation.

**Recommendation:**

The District should implement the control necessary to ensure all transactions have support showing they are usual, reasonable, and allowable business expenses.

**Current Status:**

The District has implemented stronger controls and procedures over inventory for the period after the fieldwork was performed in the prior year. As such, this finding is cleared.

**Finding 2021-003**

(SIGNIFICANT DEFICIENCY)

**Statement of Condition:**

It was noted the District does not possess staff with the time and skills necessary to draft the financial statements and related note disclosures.

**Recommendation:**

The District should utilize their financial consultant to help draft the financial statements and related note disclosures in future periods.

**Current Status:**

The District does not possess the staff with the skills necessary to draft the financial statements. As such, this finding is repeated for the current year.



**WATERSMEET TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2022

(Continued)

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

**FEDERAL PROGRAMS**

**Finding 2021-004**

(MATERIAL WEAKNESS)

**Statement of Condition:**

During the review of credit cards and expanded testing of non-payroll checks written to the former Superintendent and Business Manager it was noted 57%, or \$29,839, of credit card charges and one check totaling \$2,560 written to the former Business Manager were unsupported.

**Recommendation:**

The District should implement the control necessary to ensure all transactions have support showing they are usual, reasonable, and allowable business expenses.

**Current Status:**

The District has implemented stronger controls and procedures over credit cards for the period after the fieldwork was performed in the prior year. As such, this finding is cleared.







**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices throughout Michigan*

**Iron Mountain Office:**

Shane M. Ellison, CPA, PC - Principal  
Lynn M. Mott, MSA - Principal

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Michelle Christian, BSA - Senior

**Member of:**

Private Companies Practice Section  
American Institute of Certified  
Public Accountants

October 28, 2022

To the Board of Education  
Watersmeet Township School District

We have audited the financial statements of the governmental activities, each major fund, and the internal service fund of the Watersmeet Township School District for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 22, 2022. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Watersmeet Township School District are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2022. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no major sensitive accounting estimates.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate to the financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 28, 2022.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

*Other Matters*

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

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

Restriction on Use

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

Very truly yours,

ANDERSON, TACKMAN & COMPANY, PLC

By: Shane M. Ellison, CPA, PC

By:

A handwritten signature in black ink, appearing to read 'Shane M. Ellison', written over a horizontal line.

Shane M. Ellison, President