

Flushing Community Schools

Financial Statements

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Flushing Community Schools
Members of the Board of Education and Administration
June 30, 2023

Members of the Board of Education

Ms. Janice Winkiel	President
Mr. Salvatore Ausiello	Vice President
Mr. Steve Sheldon	Treasurer
Ms. Megan LeCureux	Secretary
Mr. Eddie Dolgan	Trustee
Ms. Kim Strnad	Trustee
Mr. Terry Bate	Trustee

Administration

Mr. Matt Shanafelt	Superintendent
Mr. Andrew Schmidt	Deputy Superintendent
Ms. Michelle Barret	Executive Director of Curriculum and Instruction
Ms. Kelly Stearns	Director of Finance

Independent Auditors' Report

Management and the Board of Education
Flushing Community Schools
Flushing, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Flushing Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Flushing Community Schools' basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Flushing Community Schools, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023 the School District adopted new accounting guidance, GASBS No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

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 Flushing Community Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2023 on our consideration of Flushing Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Flushing Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Flushing Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, MI
October 9, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS



Flushing Community Schools

Preparing Learners Today for Opportunities Tomorrow



Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

The Flushing Community School District's Management Discussion and Analysis, a requirement of GASB 34, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2023.

GASB 34 and generally accepted accounting principles (GAAP), require the reporting of two types of financial statements: Fund Financial Statements and District Wide Financial Statements.

Fund Financial Statements

The fund financial statements provide detailed information about the School District's funds, focusing on its most significant or "major funds" and not the School District as a whole. The fund-level financial statements are reported on a modified accrual basis. That is, only those assets that are "measurable" and "currently available" are reported, and liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. The School District has two kinds of funds.

Governmental Funds: All of the School District's services are reported in governmental funds, which focus on showing 1) how cash and other financial assets that can easily be converted to cash flow in and out and 2) the balances left at year end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations from the fund level statements to the district-wide statements explain the relationship (or differences) between them. The School District's governmental funds include the General Fund, Community Services Fund, Child Nutrition Fund, School Student Activity Fund, 2003 Debt Service Funds, 2017 Debt Service Funds, 2018 Energy Conservation Debt Retirement Fund, 2021 Capital Project Fund, and Sinking Fund.

Proprietary Funds: The School District operates a proprietary fund, the Internal Service Insurance fund, to account for services it provides to the School District's other funds. The School District is self-funded for health, prescription, dental, and vision plans. This fund is accounted for on a full accrual basis.

District Wide Financial Statements

The District-wide Statement of Net Position and Statement of Activities are reported using the full accrual basis of accounting. With this method, all of the School District's assets, deferred outflows of sources, liabilities, deferred inflows of resources, and current year revenues and expenditures are reported, regardless of when cash is received or paid out. These statements provide information about the activities of the School District as a whole, and present a long-term view of the School District's finances. For example, the Statement of Activities details how the School District's services were financed in the short-term and the amount that remains for future spending. The Statement of Net Position aggregates the School District's restricted and unrestricted assets as well as short and long-term obligations recorded in all funds.

Financial Position and Results of Operations

The School District's Net Position – the difference between assets plus deferred inflows and liabilities plus deferred outflows, as reported in the Statement of Net Position, is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating respectively. The relationship between revenues and expenses indicates the School District's operating results. To assess the School District's overall health, it is important to consider additional non-financial factors such as the quality of educational services provided, the condition of school buildings and facilities, the safety of the schools, and other non-financial factors.

Summary of Net Position

The School District's Net Position totaled \$(47,647,646) at June 30, 2023. Restricted Net Position is reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use the Net Position for day-to-day operations. The following is a summary of the School District's Net Position at June 30, 2022 and June 30, 2023.

	June 30, 2022	June 30, 2023
Assets		
Current assets	\$ 17,232,724	\$ 19,982,569
Capital assets, net of depreciation	51,847,031	50,912,168
Total assets	<u>69,079,755</u>	<u>70,894,737</u>
Deferred Outflows of Resources		
Deferred outflows - debt refunding	911,533	780,164
Deferred outflows - net pension liability	14,302,412	26,732,525
Deferred outflows - net OPEB liability	5,615,896	7,723,178
Total deferred outflows	<u>20,829,841</u>	<u>35,235,867</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 89,909,596</u>	<u>\$ 106,130,604</u>
Liabilities		
Current liabilities	\$ 5,945,184	\$ 6,910,798
Long-Term Liabilities - Debt	29,982,740	27,991,416
Long-term liabilities - pension liability	60,957,234	98,864,105
Long-term liabilities - OPEB liability	3,932,586	5,580,170
Total Liabilities	<u>100,817,744</u>	<u>139,346,489</u>
Deferred Inflows of Resources		
Leases	22,213	11,271
Deferred net pension liability	24,062,918	3,015,077
Defer Total Deferred Inflows of Resources	14,700,893	11,405,413
Total deferred inflows	<u>38,786,024</u>	<u>14,431,761</u>
Net Position		
Net investment in capital assets	23,867,875	25,131,095
Restricted for debt services	70,773	72,486
Restricted for capital projects	447,722	382,940
Restricted for food service	1,503,353	1,766,785
Unrestricted	(75,583,895)	(75,000,952)
Total net position	<u>(49,694,172)</u>	<u>(47,647,646)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 89,909,596</u>	<u>\$ 106,130,604</u>

Analysis of Financial Position

During fiscal year ended June 30, 2023, the School District's net position increased by \$2,046,526. A few of the significant factors affecting net position during the year are discussed below:

Governmental Fund Operations

In the School District's governmental funds, revenues exceeded expenses by \$1.45 million. See the section entitled Governmental Fund Financial Highlights below for further discussion of governmental fund operations.

Depreciation Expense

The provisions of GASB 34 require districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net position. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2023, the net increase in accumulated depreciation was \$2,724,835.

Capital Acquisitions

Capital outlay for the year ended June 30, 2023 totaled \$1,547,727. Capital Outlay was offset by current year depreciation expense of \$2,724,835 creating a Net Position decrease from capital outlay of (\$1,177,108).

Net Pension Liability

Effective June 30, 2015, GASB 68 & 71 require the district to report its proportionate share of MPSERS (Michigan Public School Employees' Retirement System) net pension liability, related to deferred outflow and inflows. For the year ended June 30, 2023 the district's share of the net pension liability was \$98,864,105.

Net Other Post Employment Benefit (OPEB) Liability

Effective June 30, 2018, GASB 75 requires the district to report its proportionate share of MPSERS (Michigan Public School Employees' Retirement System) net post-employment benefit (OPEB) liability, related to deferred outflows and inflows. For the year ended June 30, 2023 the district's share of the net OPEB liability was \$5,580,170.

Repayments of Long-Term Debt

Repayment of long-term debt decreases the School District's long-term bond principal obligations thereby increasing the School District's net position. The School District repaid principal payments of \$1,725,000 of long-term bond debt in the current year.

Results of Operations

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, 2023 are as follows:

	Year Ended June 30, 2022	Year Ended June 30, 2023
Revenue		
General Revenue:		
Property Taxes Levied for General Purposes	\$ 2,305,376	\$ 2,386,018
Property Taxes Levied for Debt Service	2,555,181	2,565,164
Property Taxes Levied for Sinking Fund	563,409	588,324
State Aid – Unrestricted	32,089,194	34,346,165
Interest and Investment Earnings	5,560	150,484
Gain on sale of capital assets	-	16,083
Other	459,656	444,812
Total General Revenue	<u>37,978,376</u>	<u>40,497,050</u>
Program Revenue:		
Charges for Services	1,460,615	2,251,114
Operating Grants and Contributions	16,431,416	18,306,661
Total Program Revenue	<u>17,892,031</u>	<u>20,557,775</u>
Total Revenue	<u>\$ 55,870,407</u>	<u>\$ 61,054,825</u>
Expenses		
Instruction	\$ 31,471,970	\$ 36,148,793
Support Services	15,811,499	19,056,104
Food Services	1,881,943	2,096,038
Community Services	469,098	675,751
Interest on Long-Term Debt	1,111,287	1,031,613
Total Expenses	<u>\$ 50,745,797</u>	<u>\$ 59,008,299</u>
Increase (Decrease) in Net Position	5,124,610	2,046,526
Net Position – Beginning	<u>(54,818,782)</u>	<u>(49,694,172)</u>
Net Position – Ending	<u>\$ (49,694,172)</u>	<u>\$ (47,647,646)</u>

Governmental Funds Financial Highlights

The General Fund is reported separately as a major fund in the fund financial statements. Funds reported as “Non-major Governmental Funds” in the fund financial statements include the Community Services Fund, Child Nutrition Fund, School Student Activity Fund, 2003 Debt Retirement Funds, 2017 Debt Retirement Funds, Debt Retirement Fund – Energy Bond, 2021 Capital Projects Fund and Sinking Fund. The annual fund financial statements provide the following insights about the results in this year’s operations.

Major Funds

The General Fund is the most significant fund of the School District. The fund balance increased by \$ 601,650 during the year ending with a fund equity of \$8,765,055 or 16.4% of expenditures and other financing uses for the year.

Non-Major Funds

The Community Service Fund increased by \$460,237 ending with a balance of \$1,110,729 for the year.

The Child Nutrition Fund increased by \$263,432 ending with a balance of \$1,766,785 for the year.

The School Student Activity Fund increased by \$54,108 ending with a balance of \$525,335 for the year.

The Debt Service Funds decreased by \$11,708 ending with a balance of \$242,209 for the year. These funds will be used to pay for annual bond/interest payments.

The 2021 Capital Projects Fund was established during 2020-21 to begin saving for future capital projects including, but not limited to, solar panel replacements. The fund balance increased by \$150,000 ending with a fund balance of \$609,000 for the year.

The Sinking Fund balance decreased by \$64,782 ending with a balance of \$382,940 for the year. These funds will be used to complete projects during the next fiscal year.

Major Governmental Funds Budgeting and Operating Highlights

In accordance with Michigan law, the School District's budgets are prepared and adopted by the Board of Education prior to July 1 of each year. The adopted budget is based on facts and assumptions known at the time. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Subsequently, over the course of the year the School District budget is revised based on changes in revenues and expenditures such as actual student enrollment, related staffing adjustments, state school aid adjustments, grant allocations, and other unexpected items. The district typically amends the budget after fall enrollment is finalized and again at the end of the fiscal year.

A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

General Fund Budget Highlights

Major sources of revenue are state aid and property taxes. The State of Michigan State Aid Act established the fiscal year per student foundation allowance for Flushing Community Schools at \$9,150 per student. October 2022 count was 4,043. On the federal level, the district also received and spent additional federal funding of \$1.7 million related to the COVID-19 pandemic. Expenses varied from the budgeted amounts based on the workforce shortage, inability to receive materials and goods, and by grant programs.

In the General Fund, actual revenue was \$53.9 million. This is above the original budget estimate of \$49.9 million and below the final budgeted amount of \$55.7 million, a variance of 3.3%. General Fund revenues increased by \$4.9 million over last year's amount primarily due to increases in state funding and federal grant funding.

Variances between budgeted and actual revenues in the General Fund are due primarily to the following:

- Adjustments to state school aid due actual vs. projected student enrollment.
- Grant related revenues re-allocated to the following year in accordance with actual date of expenditure.
- Grant opportunities and allocations received after the initial budget project.
- Adjustment to local funds received from other intermediate school districts.
- Adjustment to local funds received for charges for services.
- Adjustment for indirect costs recovered from supplemental programs.
- Adjustment for GASB 96 revenues according to guidance received after final budget revision.

In the General Fund, actual expense and other financing uses was \$53.3 million. This is below the original budget estimate of \$50.6 million and below the final budgeted amount of \$55.4 million, a variance of 3.9%. General Fund expenditures and other financing uses were increased by \$4.4 million over last year's amount.

Variances between budgeted and actual expenditures in the General Fund are due primarily to the following:

- Unspent allocations for employee salary and benefits.
- Grant related expenses re-allocated to the following year for expenditure in accordance with authorized expenditure dates.
- Expenses deferred to the following year due to COVID-19 related delivery delays.
- Unspent allocations for building, maintenance, transportation supplies and contracted services.

Non-Major Fund Budget Highlights

Variances between budgeted and actual revenues in the Non-Major Funds are due primarily to the following:

- Community Services Fund – Budget to Actual revenues were properly aligned.
- Child Nutrition Fund – Budget to Actual revenues were properly aligned.
- Student School Activity Fund – Budget to Actual revenues are estimated and closely aligned.
- Debt Retirement Funds – Budget to Actual revenues were properly aligned.
- Sinking Fund – Budget to Actual revenues were properly aligned.
- 2021 Capital Projects Fund – Budget to Actual revenues were properly aligned.

Variances between budgeted and actual expenses in the Non-Major Funds are due primarily to the following:

- Community Services Fund – Indirect costs for these programs were over estimated.
- Child Nutrition Fund –Food, supply and indirect costs for these programs were over estimated.
- Student School Activity Fund – Budget to Actual expenses are estimated and closely aligned.
- Debt Retirement Funds – Budget to Actual expenses were properly aligned.
- Sinking Fund – Budget to Actual expenses were properly aligned.
- 2021 Capital Project Fund – Budget to Actual expenses were properly aligned.

Governmental Fund Revenue

Revenue for all governmental funds were \$61.0 million for the year ended June 30, 2023. Of the total revenues, \$8.4 million (13.7%) were generated from local sources, \$46.8 million (77%) were generated from state sources, \$5.5 million (9%) were generated from federal sources, and \$330 thousand (.3%) were generated from inter-district sources.

Unrestricted State Aid

The School District is predominantly funded by State Aid. Unrestricted state aid is determined by the following three variables: (1) State of Michigan student foundation allowance; (2) student enrollment for the year, normally blended at 90% of the current year's fall student count and 10% of the previous year's supplemental student count; and (3) the School District's operating property tax levy on non-principal residence and commercial personal property.

Annually, the State of Michigan establishes the per pupil foundation allowance. For the year ended June 30, 2023 the foundation allowance was \$9,150 which was an increase of \$450 per pupil over the prior year.

The School District's blended student enrollment for state aid for the year ended June 30, 2023, was 4,039, a decrease of 21 full time equated students over the previous year. October 2021 actual enrollment was 4,061. October 2022 actual enrollment was 4,043. Actual decrease in enrollment was – 18 students. The following schedule summarizes the School District's blended student enrollment in full-time equivalencies and per student Foundation Allowance for the year ended June 30, 2023, and the previous four years.

Student Enrollment and Foundation Allowance History				
Year	Student Enrollment	Change from Prior Year	Net Foundation Allowance	Change from Prior Year
2022-23	4039	(21)	\$9,150	\$450
2021-22	4,060	(128)	\$8,700	\$589
2020-21	4,188	(28)	\$8,111	\$175
2019-20	4,216	47	\$8,111 - \$175 = \$7,936	\$ 65
2018-19	4,169	87	\$7,871	\$240

Property Taxes

The School District is authorized to levy up to 18 mills of property taxes on all non-principal residency property and 6 mills on all commercial personal property located within the School District for General Fund 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 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 School District levied 18.0000 mills for operations on principal residency and 6.0000 mills on commercial personal property during the year ended June 30, 2023, and property tax revenue was \$2.4 million for general operations.

The School District levied 3.1800 mills on all classes of property located within the School District for bonded debt retirement on the bond issuances. This levy is not subject to millage reduction fractions and taxes are used to pay the principal and interest on bond obligations. The total amount levied for debt retirement was \$2.6 million for the year ended June 30, 2023.

The School District's sinking fund is used for major repairs and replacement of the School District's buildings and sites, as allowed by Michigan statute. In 2020, the School District's voters renewed and restored a .7500 mill levy, for the ten-year period of 2021 through 2030. This levy is subject to millage reduction fractions, and as a result, the School District levied .7301 mills for the sinking fund during the year ended June 30, 2023, and property tax revenue was \$588,000.

Governmental Fund Expenditures

The following chart illustrates the expenditures and other uses of the General Fund and Other Governmental Funds. For the year ended June 30, 2023, the ending fund equity for all funds totaled \$13.4 million.

	Expenditures & Other Uses (Amounts in Millions)	Percent of Total
General Fund	\$53.4	88.7%
Other Governmental Funds	\$ 6.7	11.3%
Total	\$60.1	100%

Capital Asset and Debt Administration

Capital Assets

The District's net investment in capital assets decreased by \$1,769,057 during the fiscal year. The decrease is attributed to accumulated depreciation to existing capital assets outpacing investment into capital project improvements. Capital project improvements included the final completion of Energy Conservation Projects including lighting, water conservation, and steam trap projects. Sinking fund projects that were started to replace boilers at Central Elementary but will not be completed until the next fiscal year due to supply chain delays. Capital Assets can be summarized as follows:

	Balance June 30, 2022	Balance June 30, 2023
Land, Buildings & Additions	\$ 74,583,271	\$ 75,536,081
Equipment & Furniture	\$ 3,005,266	\$ 2,921,400
Busses & Other Vehicles	\$ 2,930,765	\$ 2,799,704
Construction in Progress	\$ 211,811	\$ 23,569
Right to Use Assets - Equipment	\$ 312,095	\$ 312,095
Right to Use Assets – Subscriptions	\$ 0	\$ 530,626
Total	<u>\$ 81,043,278</u>	<u>\$ 82,123,475</u>
Less: Accumulated Depreciation	<u>(28,944,563)</u>	<u>(31,211,307)</u>
Net Investment Capital Assets	<u>\$ 52,098,715</u>	<u>\$ 50,912,168</u>

Debt Principal Payments

The District made principal payments on long-term debt obligations that added debt obligations and increased the amount of the District's long-term liabilities as follows:

	Balance June 30, 2022	Balance June 30, 2023
Bonds Payable	\$ 28,890,689	\$ 26,980,491
Leases	\$ 251,684	\$ 189,746
Compensated Absences	\$ 840,367	\$ 821,179
Total Long-Term Debt	<u>\$ 29,982,740</u>	<u>\$ 27,991,416</u>

Repayment of debt decreased the School District's overall long-term principal obligations, and thereby increased the net position of the School District.

Economic Factors and Next Year's Budget

Foundation Allowance

The per pupil foundation allowance of unrestricted state aid was increased by \$458 per pupil to \$9,608 for the 2023-24 year.

Enrollment

The Board of Education and Administration agreed to an estimated enrollment of 4,016 which is a decrease of -19 students in October 2023. The decrease is based on projections provided by Middle Cities enrollment studies, birth rates, historical enrollment trends, actual graduating class sizes, and actual enrollment trends. The district participates in Schools of Choice on a limited basis due to classroom space. Actual enrollment will be determined after the October 2023 official count date is finalized. Budgets will be amended based on actual enrollment. Historical enrollment information is shown below:

Fiscal Year	October Enrollment
2022-23	4035
2021-22	4,061
2020-21	4,083
2019-20	4,216
2018-19	4,175

Budget

The Flushing Community Schools 2023-24 adopted general fund budget is shown below and was based on a \$458 per pupil increase in unrestricted state aid and estimated enrollment. The budget will be amended after the official count date based on actual enrollment.

Revenue	\$ 52,945,952
Expenditures	\$ 53,582,814
Excess Expenditures	\$ (636,862)

Contacting the District's Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the district's finances. If you have questions concerning any of the information provided in this report or need additional information, contact Kelly J. Stearns, Director of Finance, Flushing Community Schools, 522 N. McKinley Road, Flushing, MI 48433, or by telephone at (810) 591-1193.

BASIC FINANCIAL STATEMENTS

Flushing Community Schools
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash	\$ 9,348,516
Accounts receivable	6,211
Leases receivable	11,271
Due from other governmental units	9,447,083
Inventory	47,747
Investments	90,879
Prepaid items	1,030,862
Right to use assets - net of amortization	715,719
Capital assets not being depreciated	347,795
Capital assets - net of accumulated depreciation	<u>49,848,654</u>
 Total assets	 <u>70,894,737</u>
 Deferred Outflows of Resources	
Deferred amount on debt refunding	780,164
Deferred amount relating to the net pension liability	26,732,525
Deferred amount relating to the net OPEB liability	<u>7,723,178</u>
 Total deferred outflows of resources	 <u>35,235,867</u>

See Accompanying Notes to the Financial Statements

Flushing Community Schools
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 73,570
Due to other governmental units	1,292,717
Accrued expenditures	697,174
Accrued salaries payable	3,368,937
Unearned revenue	1,478,400
Long-term liabilities	
Net pension liability	98,864,105
Net OPEB liability	5,580,170
Due within one year	1,934,776
Due in more than one year	<u>26,056,640</u>
Total liabilities	<u>139,346,489</u>
Deferred Inflows of Resources	
Deferred amount on leases receivable	11,271
Deferred amount relating to the net pension liability	3,015,077
Deferred amount relating to the net OPEB liability	<u>11,405,413</u>
Total deferred inflows of resources	<u>14,431,761</u>
Net Position	
Net investment in capital assets	25,131,095
Restricted for:	
Food service	1,766,785
Debt service	72,486
Capital projects	382,940
Unrestricted	<u>(75,000,952)</u>
Total net position	<u>\$ (47,647,646)</u>

See Accompanying Notes to the Financial Statements

Flushing Community Schools
Statement of Activities
For the Year Ended June 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
Instruction	\$ 36,142,940	\$ 71,050	\$ 5,554,826	\$ -	\$ (30,517,064)
Supporting services	19,052,990	857,637	10,653,497	-	(7,541,856)
Food services	2,095,661	585,293	1,722,158	-	211,790
Community services	675,656	737,134	376,180	-	437,658
Interest and fiscal charges on long-term debt	<u>1,031,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,031,613)</u>
Total governmental activities	<u>\$ 58,998,860</u>	<u>\$ 2,251,114</u>	<u>\$ 18,306,661</u>	<u>\$ -</u>	<u>(38,441,085)</u>
General revenues					
Property taxes, levied for general purposes					2,386,018
Property taxes, levied for debt service					2,565,164
Property taxes, levied for sinking fund					588,324
State aid - unrestricted					34,346,165
Interest and investment earnings					150,484
Gain on sale of capital assets					16,083
Other					<u>435,373</u>
Total general revenues					<u>40,487,611</u>
Change in net position					2,046,526
Net position - beginning					<u>(49,694,172)</u>
Net position - ending					<u>\$ (47,647,646)</u>

See Accompanying Notes to the Financial Statements

Flushing Community Schools
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 4,204,361	\$ 4,644,254	\$ 8,848,615
Accounts receivable	3,418	2,793	6,211
Leases receivable	11,271	-	11,271
Due from other funds	350,111	-	350,111
Due from other governmental units	9,432,786	14,297	9,447,083
Inventory	17,227	30,520	47,747
Investments	90,879	-	90,879
Prepaid items	<u>569,624</u>	<u>7,054</u>	<u>576,678</u>
 Total assets	 <u>\$ 14,679,677</u>	 <u>\$ 4,698,918</u>	 <u>\$ 19,378,595</u>
Liabilities			
Accounts payable	\$ 65,613	\$ 7,957	\$ 73,570
Due to other governmental units	1,290,782	1,935	1,292,717
Accrued expenditures	26	-	26
Accrued salaries payable	3,350,688	18,249	3,368,937
Unearned revenue	<u>1,196,242</u>	<u>33,779</u>	<u>1,230,021</u>
 Total liabilities	 <u>5,903,351</u>	 <u>61,920</u>	 <u>5,965,271</u>

See Accompanying Notes to the Financial Statements

Flushing Community Schools
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources			
Unavailable revenue			
Leases	\$ 11,271	\$ -	\$ 11,271
Fund Balances			
Non-spendable			
Inventory	17,227	30,520	47,747
Prepaid items	569,624	7,054	576,678
Restricted for			
Food service	-	1,729,211	1,729,211
Debt service	-	242,209	242,209
Capital projects	-	991,940	991,940
Committed			
Student activities	-	525,335	525,335
Assigned			
Community service	-	1,110,729	1,110,729
Excess budgeted expenditures over revenues	636,862	-	636,862
Unassigned	7,541,342	-	7,541,342
 Total fund balances	 8,765,055	 4,636,998	 13,402,053
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 14,679,677	 \$ 4,698,918	 \$ 19,378,595

See Accompanying Notes to the Financial Statements

Flushing Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2023

Total fund balances for governmental funds \$ 13,402,053

Total net position 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.

Right to use assets - net of amortization	715,719
Capital assets not being depreciated	347,795
Capital assets - net of accumulated depreciation	49,848,654

Internal Service Fund used by management to charge costs of self-insured dental, vision, and prescription claims. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. (171,830)

Deferred outflows (inflows) of resources

Deferred outflows of resources resulting from debt refunding	780,164
Deferred outflows of resources resulting from the net pension liability	26,732,525
Deferred outflows of resources resulting from the net OPEB liability	7,723,178
Deferred inflows of resources resulting from the net pension liability	(3,015,077)
Deferred inflows of resources resulting from the net OPEB liability	(11,405,413)

Certain liabilities are not due and payable in the current period and are not reported in the funds.

Accrued interest	(169,723)
------------------	-----------

Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Net pension liability	(98,864,105)
Net OPEB liability	(5,580,170)
Compensated absences	(821,179)
Bonds payable	(26,980,491)
Leases payable	<u>(189,746)</u>

Net position of governmental activities **\$ (47,647,646)**

Flushing Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 3,277,003	\$ 5,139,544	\$ 8,416,547
State sources	46,692,550	109,590	46,802,140
Federal sources	3,535,767	1,969,918	5,505,685
Interdistrict sources	<u>330,453</u>	<u>-</u>	<u>330,453</u>
 Total revenues	 <u>53,835,773</u>	 <u>7,219,052</u>	 <u>61,054,825</u>
Expenditures			
Current			
Education			
Instruction	34,532,063	-	34,532,063
Supporting services	17,544,369	611,697	18,156,066
Food services	-	1,963,019	1,963,019
Community services	45,445	597,051	642,496
Facilities acquisition	-	519,709	519,709
Capital outlay	830,545	134,127	964,672
Debt service			
Principal	-	1,725,000	1,725,000
Interest and other expenditures	<u>-</u>	<u>1,098,863</u>	<u>1,098,863</u>
 Total expenditures	 <u>52,952,422</u>	 <u>6,649,466</u>	 <u>59,601,888</u>
 Excess of revenues over expenditures	 <u>883,351</u>	 <u>569,586</u>	 <u>1,452,937</u>

See Accompanying Notes to the Financial Statements

Flushing Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)			
Transfers in	\$ 130,946	\$ 412,647	\$ 543,593
Transfers out	<u>(412,647)</u>	<u>(130,946)</u>	<u>(543,593)</u>
Total other financing sources (uses)	<u>(281,701)</u>	<u>281,701</u>	<u>-</u>
Net change in fund balances	601,650	851,287	1,452,937
Fund balances - beginning	<u>8,163,405</u>	<u>3,785,711</u>	<u>11,949,116</u>
Fund balances - ending	<u><u>\$ 8,765,055</u></u>	<u><u>\$ 4,636,998</u></u>	<u><u>\$ 13,402,053</u></u>

See Accompanying Notes to the Financial Statements

Flushing Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Net change in fund balances - Total governmental funds	\$ 1,452,937
Total 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 allocated over their estimated useful lives and reported as depreciation expense and amortization expense.	
Depreciation and amortization expense	(2,724,835)
Capital outlay	1,547,727
Sale of capital assets (net book value)	(9,439)
Expenses are recorded when incurred in the statement of activities.	
Interest	13,421
Compensated absences	19,188
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(37,906,871)
Net change in deferrals of resources related to the net pension liability	33,477,954
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	(1,647,584)
Net change in deferrals of resources related to the net OPEB liability	5,402,762
Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, 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. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	1,786,938
Amortization of premiums	185,198
Amortization of deferred amount on debt refunding	(131,369)
Internal service fund revenues and expenses are included in governmental activities in the statement of activities	<u>580,499</u>
Change in net position of governmental activities	<u>\$ 2,046,526</u>

See Accompanying Notes to the Financial Statements

Flushing Community Schools
Proprietary Fund - Internal Service Fund
Statement of Net Position
June 30, 2023

	Employee Benefits Fund
	<u> </u>
Assets	
Cash	\$ 499,901
Prepaid items	<u>454,184</u>
Total assets	<u>954,085</u>
Liabilities	
Due to other funds	350,111
Accrued expenses	527,425
Unearned revenue	<u>248,379</u>
Total liabilities	<u>1,125,915</u>
Net Position	
Unrestricted (deficit)	<u><u>\$ (171,830)</u></u>

See Accompanying Notes to the Financial Statements

Flushing Community Schools
Proprietary Fund - Internal Service Fund
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

	Employee Benefits Fund
	<u> </u>
Operating Revenues	
Local sources	\$ 4,871,996
Operating Expenses	
Fringe benefits	3,395,601
Fees	<u>895,896</u>
Total deductions	<u>4,291,497</u>
Change in net position	580,499
Net position - beginning	<u>(752,329)</u>
Net position - ending	<u>\$ (171,830)</u>

See Accompanying Notes to the Financial Statements

Flushing Community Schools
Proprietary Fund - Internal Service Fund
Statement of Net Position
For the Year Ended June 30, 2023

	Employee Benefits Fund
	<u> </u>
Cash flows from operating activities	
Receipts from interfund services provided	\$ 4,872,663
Payments for services	<u>(4,790,354)</u>
Net cash provided by operating activities	82,309
Cash - beginning of year	<u>417,592</u>
Cash - end of year	<u><u>\$ 499,901</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 580,499
Adjustments to reconcile operating income to net cash from operating activities:	
Changes in asses and liabilities:	
Accounts receivable	667
Deposits	(454,036)
Claims payable	(207,072)
Accrued expenses	(86,128)
Unearned revenue	<u>248,379</u>
Net cash provided by operating activities	<u><u>\$ 82,309</u></u>

See Accompanying Notes to the Financial Statements

Flushing Community Schools
Notes to the Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Flushing Community Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

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

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain

intergovernmental revenues). 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 School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

Fund Financial Statements

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

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

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

Flushing Community Schools
Notes to the Financial Statements
June 30, 2023

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Child Nutrition Fund, Community Service Fund, and Student Activity Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds - Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund - The Capital Projects Fund is used to record transfers from the General Fund and the disbursement of invoices specifically designated for the purpose of projects. All transfers and projects are approved by the board.

Sinking Fund - The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction, or repair of school buildings.

Proprietary Fund - Internal Service Fund - The Internal Service Fund is used to account for risk management services provided to other funds/departments of the district on a cost-reimbursement basis. The funds also account for self-insured vision, dental, and health benefits.

Assets, Liabilities and Net Position or Equity

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as "due from/to other funds." These

amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2023, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	3.18000
Sinking Fund	0.73010

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 100% of the School District's tax roll lies within Genesee County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Genesee and remitted to the School District by May 15.

Investments - Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded

Flushing Community Schools
Notes to the Financial Statements
June 30, 2023

as expenditures when purchased rather than when consumed, although significant amounts of inventory are capitalized at year end.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 - 50 years
Site improvements	10 - 20 years
Equipment and furniture	5 - 10 years
Computer software	5 - 10 years
Buses and other vehicles	5 - 10 years

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School

District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences - Employees accrue sick days at the rate of 10 – 12 days per year with no maximum on the number that may be accumulated, with the exception of the superintendent, who may accumulate only 180 days as superintendent. Upon termination, employees are paid for all accumulated sick days, with the exception of employees (except for secretaries) with less than ten years seniority, as follows:

Administrators, \$ 95.00 per day; Teachers, \$ 58.00 per day up to 70 days and \$ 62.50 per day over 70; Secretaries, \$ 46.00 per day up to 70 days and \$ 51.00 per day over 70; Custodians, \$ 48.00 per day up to 70 days and \$ 53.00 per day over 70; Bus Drivers, \$ 30.00 per day up to 70 days and \$ 35.00 per day over 70; and Cooks, \$ 20.00 per day up to 70 days and \$ 25.00 per day over 70.

Vacation days may be accumulated and paid out to certain employee groups according to the provisions of the respective bargaining agreements.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to

Flushing Community Schools
Notes to the Financial Statements
June 30, 2023

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

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

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes a deferred inflow for leases which is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance - In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Education or the Superintendent. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature. Assigned balances in the General Fund and Child Nutrition Fund are in relation to adopting of the proceeding school years budgets with a deficiency of revenues over expenditures which will then use fund balance to cover those expenditures. Assigned balances in the Community Service Fund is to assign the fund balance to those specific activities.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Flushing Community Schools
Notes to the Financial Statements
June 30, 2023

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, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor’s IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

Upcoming Accounting and Reporting Changes

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note

disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

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Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

The School District did not have significant expenditure budget variances.

Fund Deficits

The School District has an accumulated fund balance deficit in the Internal Service Fund in the amount of \$171,830 as of June 30, 2023. The General Fund's fund balance is in excess of this deficit and therefore the School District is not considered to be in a deficit by Michigan Department of Education, hence a deficit elimination plan is not required.

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash	\$ 9,348,516
Investments	<u>90,879</u>
	<u>\$ 9,439,395</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 9,348,216
Investments in securities, mutual funds, and similar vehicles	90,879
Petty cash and cash on hand	<u>300</u>
 Total	 <u><u>\$ 9,439,395</u></u>

As of year end, the School District had the following investments:

<u>Investment</u>	<u>Carrying Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	\$ 14,940	< 60 days	AAAm	S&P
MAX Class	<u>75,939</u>	< 60 days	AAAm	S&P
	<u>\$ 90,879</u>			

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

As of June 30, 2023, the net asset value of the School District's investment in MILAF + Portfolio was \$75,939. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that

Flushing Community Schools

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Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

Interest rate risk - The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk - State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk - The School District's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the School District's total investments.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$9,807,287 of the School District's bank balance of \$10,057,287 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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 year end, none of the School District's investments were exposed to custodial credit risk.

Note 4 - Leases Receivable

In 2021 the School District entered into lease agreements as a lessor of land for Farming. The agreements are for a term of 4 year with combined annual payments of \$23,242 with a 2.5% interest rate. A lease receivable and deferred inflows have been recorded to reflect future expected payments, as of year end is \$11,271.

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 324,226	\$ -	\$ -	\$ 324,226
Construction-in-progress	211,881	23,569	211,881	23,569
Total capital assets not being depreciated	536,107	23,569	211,881	347,795
Capital assets being depreciated				
Buildings and additions	74,259,045	952,810	-	75,211,855
Equipment and furniture	3,005,266	199,669	283,535	2,921,400
Buses and other vehicles	2,930,765	52,934	183,995	2,799,704
Right to use asset - equipment and furniture	312,095	-	-	312,095
Right to use asset - subscriptions	-	530,626	-	530,626
Total capital assets being depreciated	80,507,171	1,736,039	467,530	81,775,680
Less accumulated depreciation for				
Buildings and additions	24,249,707	2,435,460	-	26,685,167
Equipment and furniture	2,510,416	78,914	279,888	2,309,442
Buses and other vehicles	2,124,029	143,870	178,203	2,089,696
Right to use asset - equipment and furniture	60,411	61,938	-	122,349
Right to use asset - subscriptions	-	4,653	-	4,653
Total accumulated depreciation	28,944,563	2,724,835	458,091	31,211,307
Net capital assets being depreciated	51,562,608	(988,796)	9,439	50,564,373
Net capital assets	\$ 52,098,715	\$ (965,227)	\$ 221,320	\$ 50,912,168
Right to use leased assets				
Right to use assets - net of amortization	\$ 251,684	\$ 464,035	\$ -	\$ 715,719
Capital assets				
Capital assets not being depreciated	536,107	23,569	211,881	347,795
Capital assets - net of depreciation	51,310,924	(1,452,831)	9,439	49,848,654
Net capital assets	\$ 52,098,715	\$ (965,227)	\$ 221,320	\$ 50,912,168

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Depreciation expense of capital assets and amortization expense of right to use assets were charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 1,689,398
Supporting services	899,196
Food services	108,993
Community services	<u>27,248</u>
 Total governmental activities	 <u>\$ 2,724,835</u>

Construction Contracts

As of year end, the School District had the following construction contracts in progress:

Project	<u>Total Contract</u>	<u>Remaining Construction Commitment at Year End</u>
ECC Roof Replacement	\$ 427,469	\$ 416,207
High School Roof Replacement	289,789	282,282
Generators	<u>4,800</u>	<u>-</u>
 Total	 <u>\$ 722,058</u>	 <u>\$ 698,489</u>

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Internal Service Fund	General Fund	<u>\$ 350,111</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

	<u>Transfers Out</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Transfers in</u>			
General Fund	\$ -	\$ 130,946	\$ 130,946
Nonmajor Governmental Funds	<u>412,647</u>	<u>-</u>	<u>412,647</u>
	<u>\$ 412,647</u>	<u>\$ 130,946</u>	<u>\$ 543,593</u>

There was a transfer made from the General Fund to the Capital Projects Fund to for upcoming projects. A transfer was made from the General Fund to the Debt Funds to make debt service payments. A transfer was made from the General Fund to the Community Service Fund and Child Nutrition Fund to fund program activities. There were transfers made from the Child Nutrition Fund and the Community Service Fund to the General Fund to cover indirect costs.

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Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 1,196,227
Prepaid meals	31,526
Prepaid tuition	2,253
Prepaid claim revenue	<u>248,394</u>
 Total	 <u>\$ 1,478,400</u>

Note 8 - Leases and Subscription Based Information Technology Arrangements (SBITA)

Lease Liability

The School District entered into a 5 year lease agreement for copiers in June 2021. A lease liability was recorded in the amount of \$312,095 as of July 1, 2021. As of June 30, 2023, the value of the lease liability was \$189,746. The school district is required to make monthly principal and interest payments of \$5,627. The lease has an interest rate of 2.5%. The value of the right-to-use asset as of the end of the current fiscal year was \$189,746 and had accumulated amortization of \$122,349. Future principal and interest requirement for the lease liability are as follows:

Year ending June 30,	Principal	Interest
2024	\$ 63,505	\$ 4,019
2025	65,111	2,413
2026	<u>61,130</u>	<u>767</u>
 Total	 <u>\$ 189,746</u>	 <u>\$ 7,199</u>

Subscription Arrangements

The School District has entered into multiple subscription-based information technology agreements (SBITA) ranging from 5 to 8 year agreements. The agreements commenced in the fiscal year 2023 and go through fiscal year 2031. The School District has prepaid the full amount of all agreements. As such no liability is held out for the SBITAs and a Right to Use Asset is recorded (See Note 5).

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and lease liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$26,395,000	\$ -	\$ 1,725,000	\$24,670,000	\$ 1,825,000
Premium on bonds	<u>2,495,689</u>	<u>-</u>	<u>185,198</u>	<u>2,310,491</u>	<u>-</u>
 Total bonds payable	 28,890,689	 -	 1,910,198	 26,980,491	 1,825,000
Other liabilities					
Leases	251,684	-	61,938	189,746	63,505
Compensated absences	<u>840,367</u>	<u>234,113</u>	<u>253,301</u>	<u>821,179</u>	<u>46,271</u>
 Total other liabilities	 1,092,051	 234,113	 315,239	 1,010,925	 109,776
 Total	 <u>\$29,982,740</u>	 <u>\$ 234,113</u>	 <u>\$ 2,225,437</u>	 <u>\$27,991,416</u>	 <u>\$ 1,934,776</u>

For governmental activities, compensated absences and lease liabilities are primarily liquidated by the General Fund.

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General obligation bonds payable at year end, consist of the following:

2015 Series B refunding bond due in annual installments of \$50,000 to \$1,575,000 through 2028, interest at 2.00% - 4.00%	\$ 7,325,000
2018 Energy Conservation bond due in annual installments of \$170,000 to \$300,000 through 2033, interest at 4.00%	2,330,000
2017 Building and Site bond due in annual installments of \$795,000 to \$975,000 through 2038, interest at 4.00%	9,090,000
2018 Building and Site bond due in annual installments of \$300,000 to \$510,000 through 2038, interest at 4.00% to 5.00%	<u>5,925,000</u>
Total general obligation bonded debt	<u>\$ 24,670,000</u>

Future principal and interest requirements for bonded debt and direct borrowings and direct placements are as follows:

<u>Year Ending June 30,</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,825,000	\$ 1,018,338
2025	1,900,000	945,338
2026	1,985,000	869,338
2027	2,070,000	789,938
2028	2,155,000	707,138
2029-2033	7,550,000	2,541,950
2034-2038	<u>7,185,000</u>	<u>944,500</u>
Total	<u>\$ 24,670,000</u>	<u>\$ 7,816,540</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$242,209 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end, consist of \$217,146 of vacation time and \$604,033 in accrued sick time benefits. The amount

anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Deferred Amount on Refunding

Advance refundings for the 2015 Series B bond refunding issuance resulted in a difference between the reacquisition price and the net carrying amount of the old debt. The unamortized balance is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2028.

Deceased Debt

In prior years, the School District has defeased the 2105 Series B bond issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of the refunding was placed in separate special escrow account and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 1, 2028. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements was \$7,870,000.

Note 10 - Risk Management

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

The School District is self-insured for health benefits paid on behalf of its employees. The School District's General Fund buys self-funded

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insurance through the Internal Service Insurance Fund based on the established illustrative-rates and district required contribution to insurance. The insurance carrier does a quarterly calculation based on previous claims history, current claims, and projected claims to be incurred to determine how much cash the School District needs to advance to them to pay for claims. The Internal Service Insurance Fund makes these payments monthly to the carrier. The plan provides a stop-loss provision of \$110,000 per employee and 125% aggregate. The School District has recognized an overpayment balance at year end of \$359,218 in the Internal Service Insurance Fund for various fees relating to the plan administration and incurred but not reported claims payable on the district-wide statements in the amount of \$457,156. For governmental activities, the Internal Service Insurance Fund primarily liquidates the liability for health benefits.

Change in estimated liabilities for claims for health benefits for the year is as follows:

	<u>2023</u>	<u>2022</u>
Estimated liability at the beginning of the year	\$ 714,789	\$ 499,066
Estimated claims incurred including changes in estimates	3,939,986	4,829,927
Claim payments	<u>(4,556,837)</u>	<u>(4,614,204)</u>
Estimated liability end of year	<u>\$ 97,938</u>	<u>\$ 714,789</u>

The School District is self-insured for dental insurance. The School District has contracted with an independent administrator to process the dental claims and perform other administrative duties. According to the provisions of this program, the School District pays 80% of dental claims, up to \$1,000 annually, to each covered employee and the remaining 20% is paid by the employee. The School District evaluates the liability related to the dental claims at the end of each fiscal year. The liability is calculated, based upon claims already incurred and reported and an estimate of incurred but not reported claims, as provided by the administrator. For governmental activities, the liability for dental benefits is primarily liquidated by the general fund.

The School District is self-insured for vision benefits paid on behalf of its employees. The School District's General Fund buys self-funded insurance through the Internal Service Fund based on the established illustrative-rates and district required contribution to insurance. The district works with a third party administrator to facilitate coverage and manage claims data. Monthly TPA bills the district for current TPA fees and previous months claims paid. The Internal Service Fund pays as billed based on the various insurance plans in place for employees.

The School District evaluate the liability related to dental and prescription claims at the end of each fiscal year. The liability is calculated based upon claims at already incurred and reported and an estimate of incurred but not reported claims, as provided by the administrator. The School District has recognized an overpayment balance at year end of \$93,818 in the Internal Service Insurance Fund for various fees relating to the plan administration and incurred but not reported claims payable on the district-wide statements in the amount of \$70,269 for prescription and dental claims payable on the district-wide statements.

The year end liability (asset) and activity for the year is as follows:

	<u>2023</u>	<u>2022</u>
Estimated liability at the beginning of the year	\$ 105,836	\$ 108,390
Estimated claims incurred including changes in estimates	372,763	349,528
Claim payments	<u>(502,148)</u>	<u>(352,082)</u>
Estimated liability (asset) end of year	<u>\$ (23,549)</u>	<u>\$ 105,836</u>

Note 11 - Pension Plan

Postemployment Benefits Other Than Pensions (OPEB) Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945,

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recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

Benefits Provided

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

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who

previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

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, 2021 valuation will be amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2022.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.14%
Member Investment Plan	3.0 - 7.0%	20.14%
Pension Plus	3.0 - 6.4%	17.22%
Pension Plus 2	6.2%	19.93%
Defined Contribution	0.0%	13.73%

Required contributions to the pension plan from the School District were \$8,947,195 for the year ending September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$98,864,105 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.2629 percent, which was an increase of 0.0054 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized pension expense of \$13,114,528 for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total pension contribution expense of \$7,522,003.

Section 147c of the State School Aid Act (MCL 388.1747c) was amended to include a one-time distribution to districts, intermediate districts, and other participating entities of MPSERS, which is referred to as Section 147c(2). Section 147c(2) is required to be forwarded to the state's ORS as additional assets being contributed to the retirement system. This funding is a one-time, state payment toward the MPSERS unfunded liability and not part of the actuarially determined contributions and therefore not included in the above pension expense, pension contributions or related deferred inflows/outflows of resources. For the period ending June 30, 2023, the School District recognized in their financial statements an additional amount related to Section 147c(2) of \$2,615,592 in total pension expense and offset in state revenues.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 988,986	\$ (221,050)	\$ 767,936
Changes of assumptions	16,988,396	-	16,988,396
Net difference between projected and actual earnings on pension plan investments	231,836	-	231,836
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>1,649,372</u>	<u>(178,435)</u>	<u>1,470,937</u>
Total to be recognized in future	19,858,590	(399,485)	19,459,105
School District contributions subsequent to the measurement date	<u>6,873,935</u>	<u>(2,615,592)</u>	<u>4,258,343</u>
Total	<u>\$ 26,732,525</u>	<u>\$ (3,015,077)</u>	<u>\$ 23,717,448</u>

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Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The District will offset the contribution expense in the year ended June 30, 2024 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future Pension Expenses)

2023	\$ 5,803,585
2024	4,230,131
2025	3,621,531
2026	<u>5,803,858</u>
	<u>\$ 19,459,105</u>

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, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.00% net of investment expenses
 - Pension Plus Plan: 6.00% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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, 2022, is based on the results of an actuarial valuation date of September 30, 2021, 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 is 4.3922 years.

Recognition period for assets is 5 years.

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Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on 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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

For the plan year ended September 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. 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 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% 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.

Flushing Community Schools

Notes to the Financial Statements

June 30, 2023

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

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

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.00%	6.00%	7.00%
\$ 130,463,890	\$ 98,864,105	\$ 72,824,459

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

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 Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

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

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 12 - Postemployment Benefits Other Than Pensions (OPEB) Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's

authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

Benefits Provided

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

Flushing Community Schools

Notes to the Financial Statements

June 30, 2023

Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

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

Employer 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, 2021 valuation will be amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2022.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.23%

Required contributions to the OPEB plan from the School District were \$2,006,835 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$5,580,170 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022 the School District's proportion was 0.2635 percent, which was an increase of 0.0058 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized OPEB expense of \$(1,847,148) for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total OPEB contribution expense of \$1,997,998.

Flushing Community Schools
Notes to the Financial Statements
June 30, 2023

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (10,929,415)	\$ (10,929,415)
Changes of assumptions	4,973,784	(404,994)	4,568,790
Net difference between projected and actual earnings on OPEB plan investments	436,134	-	436,134
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>582,346</u>	<u>(71,004)</u>	<u>511,342</u>
Total to be recognized in future	5,992,264	(11,405,413)	(5,413,149)
School District contributions subsequent to the measurement date	<u>1,730,914</u>	<u>-</u>	<u>1,730,914</u>
Total	<u>\$ 7,723,178</u>	<u>\$ (11,405,413)</u>	<u>\$ (3,682,235)</u>

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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2023	\$(1,874,545)
2024	(1,788,390)
2025	(1,626,362)
2026	(77,520)
2027	(56,984)
Thereafter	<u>10,652</u>
	<u><u>\$(5,413,149)</u></u>

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, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses

Flushing Community Schools

Notes to the Financial Statements

June 30, 2023

- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, 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 is 6.2250.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	100.0%	

*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Flushing Community Schools
Notes to the Financial Statements
June 30, 2023

Rate of Return

For the plan year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, (4.99)%. 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 6.00% 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 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
<u>\$ 9,360,198</u>	<u>\$ 5,580,170</u>	<u>\$ 2,396,917</u>

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$ 2,336,708</u>	<u>\$ 5,580,170</u>	<u>\$ 9,221,020</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2023.

The School District is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, in the opinion of the School District's attorneys, the resolution of the matter will not have a material adverse effect on the financial condition of the School District.

Flushing Community Schools
Notes to the Financial Statements
June 30, 2023

Note 14 - Environmental Regulation

The School District removed an underground storage tank at Central Elementary during the year ended June 30, 1991. The tank had leaked prior to this removal. The School District is required by the Michigan Department of Environment, Great Lakes, and Energy (EGLE) to have soil samples tested and analyzed until EGLE is satisfied with the outcome of such testing. During the year ended June 30, 2023, the School District had no expenditures related to environmental soil testing. The cost of environmental testing required by EGLE for the past thirty-two years totals \$198,006. The EGLE still has not finalized testing. The School District believes that testing is no longer necessary and is currently working with legal counsel to request EGLE approval to discontinue testing.

Note 15 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the School District boundaries. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2023, the School District's property tax revenues were reduced by \$1,901 under these programs.

There are no significant abatements made by the School District.

Flushing Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 3,170,393	\$ 3,312,355	\$ 3,277,003	\$ (35,352)
State sources	42,700,014	47,976,513	46,692,550	(1,283,963)
Federal sources	3,668,954	3,769,973	3,535,767	(234,206)
Interdistrict sources	<u>296,554</u>	<u>315,829</u>	<u>330,453</u>	<u>14,624</u>
Total revenues	<u>49,835,915</u>	<u>55,374,670</u>	<u>53,835,773</u>	<u>(1,538,897)</u>
Expenditures				
Instruction				
Basic programs	26,384,761	27,289,266	27,110,317	(178,949)
Added needs	7,140,274	7,535,130	7,421,746	(113,384)
Supporting services				
Pupil	3,432,131	3,868,433	3,420,786	(447,647)
Instructional staff	1,307,528	1,933,038	1,401,970	(531,068)
General administration	500,011	554,839	530,021	(24,818)
School administration	2,686,175	2,859,545	2,843,181	(16,364)
Business	519,584	630,518	623,335	(7,183)
Operations and maintenance	4,163,955	5,187,181	4,760,364	(426,817)
Pupil transportation services	2,005,165	1,973,609	1,998,043	24,434
Central	1,023,944	1,089,395	1,037,051	(52,344)
Athletic activities	806,171	952,946	929,618	(23,328)
Community services	33,629	68,403	45,445	(22,958)
Capital outlay	<u>379,722</u>	<u>1,026,593</u>	<u>830,545</u>	<u>(196,048)</u>
Total expenditures	<u>50,383,050</u>	<u>54,968,896</u>	<u>52,952,422</u>	<u>(2,016,474)</u>
Excess (deficiency) of revenues over expenditures	<u>(547,135)</u>	<u>405,774</u>	<u>883,351</u>	<u>477,577</u>

Flushing Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Other Financing Sources (Uses)				
Transfers in	\$ 142,104	\$ 308,776	\$ 130,946	\$ (177,830)
Transfers out	<u>(254,284)</u>	<u>(441,392)</u>	<u>(412,647)</u>	<u>(28,745)</u>
Total other financing sources (uses)	<u>(112,180)</u>	<u>(132,616)</u>	<u>(281,701)</u>	<u>(206,575)</u>
Net change in fund balances	(659,315)	273,158	601,650	271,002
Fund balance - beginning	<u>8,163,405</u>	<u>8,163,405</u>	<u>8,163,405</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 7,504,090</u></u>	<u><u>\$ 8,436,563</u></u>	<u><u>\$ 8,765,055</u></u>	<u><u>\$ 271,002</u></u>

Flushing Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School Districts' proportion of net pension liability (%)	0.2629%	0.2575%	0.2567%	0.2557%	0.2487%	0.2405%	0.2405%	0.2387%	0.2387%	
B. School District's proportionate share of net pension liability	\$ 98,864,105	\$ 60,957,234	\$ 88,177,075	\$ 84,681,667	\$ 74,751,826	\$ 62,373,325	\$ 60,014,014	\$ 59,558,894	\$ 52,573,635	
C. School District's covered payroll	\$ 25,370,390	\$ 23,125,656	\$ 22,599,729	\$ 22,320,084	\$ 21,648,263	\$ 20,220,355	\$ 20,342,591	\$ 20,492,798	\$ 20,663,139	
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	389.68%	263.59%	390.17%	379.40%	345.30%	308.47%	295.02%	290.63%	254.43%	
E. Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

Flushing Community Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 7,522,003	\$ 8,867,593	\$ 7,759,214	\$ 6,663,614	\$ 6,742,108	\$ 6,306,288	\$ 3,913,246	\$ 3,902,057	\$ 4,454,641	
B. Contributions in relation to statutorily required contributions	<u>(7,522,003)</u>	<u>(8,867,593)</u>	<u>(7,759,214)</u>	<u>(6,663,614)</u>	<u>(6,742,108)</u>	<u>(6,306,288)</u>	<u>(3,913,246)</u>	<u>(3,902,057)</u>	<u>(4,454,641)</u>	
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
D. School Districts' covered payroll	\$ 25,085,701	\$ 24,013,441	\$ 22,727,324	\$ 22,743,067	\$ 22,148,689	\$ 21,467,925	\$ 21,011,022	\$ 20,196,932	\$ 21,005,313	
E. Contributions as a percentage of covered payroll	29.99%	36.93%	34.14%	29.30%	30.44%	29.38%	18.62%	19.32%	21.21%	

Flushing Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School Districts' proportion of the net OPEB liability (%)	26.35000%	0.25760%	0.25580%	0.25590%	0.25000%	0.24000%				
B. School District's proportionate share of the net OPEB liability	\$ 5,580,170	\$ 3,932,586	\$ 13,703,381	\$ 18,370,611	\$ 20,240,238	\$ 21,301,674				
C. School District's covered payroll	\$ 25,370,390	\$ 23,125,646	\$ 22,599,729	\$ 22,320,084	\$ 22,743,067	\$ 20,220,355				
D. School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.99%	17.01%	60.64%	82.31%	89.00%	105.35%				
E. Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%	36.39%	42.95%	36.39%				

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

Flushing Community Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 1,997,998	\$ 1,967,957	\$ 1,921,185	\$ 1,804,782	\$ 1,732,523	\$ 1,558,081				
B. Contributions in relation to statutorily required contributions	<u>(1,997,998)</u>	<u>(1,967,957)</u>	<u>(1,921,185)</u>	<u>(1,804,782)</u>	<u>(1,732,523)</u>	<u>(1,558,081)</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. School Districts' covered payroll	\$ 25,085,701	\$ 24,013,441	\$ 22,727,324	\$ 22,743,067	\$ 22,743,067	\$ 21,467,925				
E. Contributions as a percentage of covered payroll	7.96%	8.20%	8.45%	7.94%	7.62%	7.26%				

Flushing Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	Special Revenue Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Service Fund	Child Nutrition Fund	Student Activity Fund	Debt Service Funds	Sinking Fund	Capital Project Fund	
Assets							
Cash	\$ 1,130,206	\$ 1,752,881	\$ 527,018	\$ 242,209	\$ 382,940	\$ 609,000	\$ 4,644,254
Accounts receivable	-	-	2,793	-	-	-	2,793
Due from other governmental units	-	14,297	-	-	-	-	14,297
Inventory	-	30,520	-	-	-	-	30,520
Prepaid items	-	7,054	-	-	-	-	7,054
Total assets	\$ 1,130,206	\$ 1,804,752	\$ 529,811	\$ 242,209	\$ 382,940	\$ 609,000	\$ 4,698,918
Liabilities							
Accounts payable	\$ -	\$ 6,441	\$ 1,516	\$ -	\$ -	\$ -	\$ 7,957
Due to other governmental units	1,935	-	-	-	-	-	1,935
Accrued salaries payable	15,289	-	2,960	-	-	-	18,249
Unearned revenue	2,253	31,526	-	-	-	-	33,779
Total liabilities	19,477	37,967	4,476	-	-	-	61,920
Fund Balances							
Non-spendable							
Inventory	-	30,520	-	-	-	-	30,520
Prepaid items	-	7,054	-	-	-	-	7,054
Restricted for							
Food service	-	1,729,211	-	-	-	-	1,729,211
Debt service	-	-	-	242,209	-	-	242,209
Capital projects	-	-	-	-	382,940	609,000	991,940
Committed	-	-	525,335	-	-	-	525,335
Assigned	1,110,729	-	-	-	-	-	1,110,729
Total fund balances	1,110,729	1,766,785	525,335	242,209	382,940	609,000	4,636,998
Total liabilities and fund balances	\$ 1,130,206	\$ 1,804,752	\$ 529,811	\$ 242,209	\$ 382,940	\$ 609,000	\$ 4,698,918

Flushing Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	Special Revenue Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Service Fund	Child Nutrition Fund	Student Activity Fund	Debt Service Funds	Sinking Fund	Capital Project Fund	
Revenues							
Local sources	\$ 730,207	\$ 586,323	\$ 665,805	\$ 2,568,155	\$ 589,054	\$ -	\$ 5,139,544
State sources	-	109,590	-	-	-	-	109,590
Federal sources	357,350	1,612,568	-	-	-	-	1,969,918
Total revenues	1,087,557	2,308,481	665,805	2,568,155	589,054	-	7,219,052
Expenditures							
Current							
Education							
Supporting services	-	-	611,697	-	-	-	611,697
Food services	-	1,963,019	-	-	-	-	1,963,019
Community services	597,051	-	-	-	-	-	597,051
Facilities acquisition	-	-	-	-	519,709	-	519,709
Capital outlay	-	-	-	-	134,127	-	134,127
Debt service							
Principal	-	-	-	1,725,000	-	-	1,725,000
Interest and other expenditures	-	-	-	1,098,863	-	-	1,098,863
Total expenditures	597,051	1,963,019	611,697	2,823,863	653,836	-	6,649,466
Excess (deficiency) of revenues over expenditures	490,506	345,462	54,108	(255,708)	(64,782)	-	569,586
Other Financing Sources (Uses)							
Transfers in	2,000	16,647	-	244,000	-	150,000	412,647
Transfers out	(32,269)	(98,677)	-	-	-	-	(130,946)
Total other financing sources (uses)	(30,269)	(82,030)	-	244,000	-	150,000	281,701
Net change in fund balances	460,237	263,432	54,108	(11,708)	(64,782)	150,000	851,287
Fund balances - beginning	650,492	1,503,353	471,227	253,917	447,722	459,000	3,785,711
Fund balances - ending	\$ 1,110,729	\$ 1,766,785	\$ 525,335	\$ 242,209	\$ 382,940	\$ 609,000	\$ 4,636,998

Flushing Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2023

Year Ending June 30,	2015 Series B Refunding Bond	2017 Building and Site Bond	2018 Building and Site Bond	2018 Energy Conservation Bond	Total
2024	\$ 1,355,000	\$ -	\$ 300,000	\$ 170,000	\$ 1,825,000
2025	1,410,000	-	310,000	180,000	1,900,000
2026	1,465,000	-	325,000	195,000	1,985,000
2027	1,520,000	-	340,000	210,000	2,070,000
2028	1,575,000	-	355,000	225,000	2,155,000
2029	-	795,000	370,000	240,000	1,405,000
2030	-	815,000	380,000	255,000	1,450,000
2031	-	845,000	390,000	270,000	1,505,000
2032	-	880,000	400,000	285,000	1,565,000
2033	-	915,000	410,000	300,000	1,625,000
2034	-	950,000	425,000	-	1,375,000
2035	-	970,000	455,000	-	1,425,000
2036	-	970,000	475,000	-	1,445,000
2037	-	975,000	480,000	-	1,455,000
2038	-	975,000	510,000	-	1,485,000
Total	<u>\$ 7,325,000</u>	<u>\$ 9,090,000</u>	<u>\$ 5,925,000</u>	<u>\$ 2,330,000</u>	<u>\$ 24,670,000</u>

Principal payments
due the first day of

May

May

May

May

Interest payments
due the first day of

May and
November

May and
November

May and
November

May and
November

Interest rate

4.00% - 4.25%

4.00%

4.00% - 5.00%

4.00%

Original issue

\$ 8,705,000

\$ 9,090,000

\$ 7,025,000

\$ 3,090,000

October 9, 2023

Management and the Board of Education
Flushing Community Schools
Flushing, Michigan

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Flushing Community Schools (the School District) as of and for the year ended June 30, 2023. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

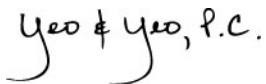
Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

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



Flint, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

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 engagement letter dated June 2, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statement effective July 1, 2022:

- Statement No. 96, *Subscription-Based Information Technology Arrangements* is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Incurred but not reported health benefits. The estimate is derived by using historical claims and information provided by the third-party administrator.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Information technology controls
- Implementation of new accounting standard

Accounting Standards and Regulatory Updates

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Implementation Guide No 2021-1, *Implementation Guidance Update-2021* has an amended response related to the capitalization of assets purchased as a group. Under the amended guidance, governments should capitalize individual items when the purchase in the aggregate is considered significant, even if the individual items are less than the capitalization threshold of the government. The effective date for implementation is for reporting periods beginning after June 15, 2023 (effectively, for the first year ended June 30, 2024 or later) and requires retroactive implementation.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no known misstatements detected as a result of audit procedures that were more than trivial.

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.

There were no known uncorrected misstatements that were more than trivial.

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 auditors' 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 as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, in 2023 the School District adopted new accounting guidance, GASBS No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements 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.

Report on Other Supplementary Information

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

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of Flushing Community Schools as of and for the year ended June 30, 2023, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of the following matters for management's consideration that is an opportunity for improving compliance. This letter does not affect our report dated October 9, 2023, on the financial statements of Flushing Community Schools.

Net Cash Resources

As a result of the COVID-19 pandemic and flexibilities awarded related to eligibility and food distribution, meal claim revenues were in excess of anticipated amounts. A proportional increase to expenditures did not occur, resulting in the continuation of net cash resources exceeding the three-month average expenditure requirement included in the federal regulations. The noncompliance has not been determined to be material to the federal program or the financial statements, as it has not resulted in questioned costs, or negatively impacted the program; as the School District is actively working on using the funds to enhance the program. However, the School District must continue to take action to return to compliance. They may reduce lunch prices in a manner that is consistent with the paid lunch equity provisions, improve food quality, or take other action designed to improve the program. We recommend that the School District looks at possible enhancements to the program in order to develop a spend down plan to return to compliance with this requirement.

Flushing Community Schools

Single Audit Report

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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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*

Independent Auditors' Report

Management and the Board of Education
Flushing Community Schools
Flushing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Flushing Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Flushing Community Schools' basic financial statements and have issued our report thereon dated October 9, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Flushing Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions

was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Yeo & Yeo, P.C.

Flint, Michigan
October 9, 2023

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Education
Flushing Community Schools
Flushing, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Flushing Community Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Flushing Community Schools' major federal programs for the year ended June 30, 2023. Flushing Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Flushing Community Schools complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Flushing Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Flushing Community Schools' basic financial statements. We issued our report thereon dated October 9, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Flint, Michigan
October 9, 2023

Flushing Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title	AL #	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2022	Prior Year Expenditures	Adjustments	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2023
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance (Commodities):								
Entitlement Commodities - Lunch	10.555	\$ 132,000	\$ -	\$ -	\$ -	\$ 132,000	\$ 132,000	\$ -
Entitlement Commodities - Bonus	10.555	8,596	-	-	-	8,596	8,596	-
Total Non-Cash Assistance		140,596	-	-	-	140,596	140,596	-
Cash Assistance								
School Breakfast Program								
221970	10.553	26,815	-	-	-	26,815	26,815	-
231970	10.553	243,058	-	-	-	243,058	243,058	-
National School Lunch Program								
221960	10.555	131,902	-	-	-	131,902	131,902	-
231960	10.555	948,661	-	-	-	948,661	948,661	-
Supply Chain Assistance Grant								
220910-2022	10.555	76,803	(40,227)	36,576	-	-	40,227	-
220910-2023	10.555	78,174	-	-	-	78,174	78,174	-
Total Cash Assistance		1,505,413	(40,227)	36,576	-	1,428,610	1,468,837	-
Total Child Nutrition Cluster		1,646,009	(40,227)	36,576	-	1,569,206	1,609,433	-
Passed Through Michigan Department of Education								
Pandemic - EBT Local Costs								
220980-2022	10.649	3,135	-	-	-	3,135	3,135	-
Total U.S. Department of Agriculture		1,649,144	(40,227)	36,576	-	1,572,341	1,612,568	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Flushing Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title	AL #	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2022	Prior Year Expenditures	Adjustments	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2023
U.S. Department of Education								
Special Education Cluster (IDEA)								
Passed Through Genesee Intermediate School District								
Special Education - Grants to States								
220450-2122	84.027A	\$ 7,274	\$ 292	\$ 1,599	\$ -	\$ 5,967	\$ 5,675	\$ -
220450-2122	84.027A	1,031,316	126,184	1,031,316	-	126,184	-	-
230450-2223	84.027A	1,022,444	-	-	-	901,889	1,022,444	120,555
ARP Special Education - Grants to States								
COVID-19 221280-2122	84.027X	1,700	-	-	-	1,700	1,700	-
COVID-19 221280-2122	84.027X	210,376	87,518	87,518	-	88,103	585	-
Total Special Education - Grants to States		2,273,110	213,994	1,120,433	-	1,123,843	1,030,404	120,555
Passed Through Genesee Intermediate School District								
Special Education - Preschool Grants								
220460-2122	84.173A	22,672	4,514	22,672	-	4,514	-	-
220460-2122	84.173A	28,419	-	-	-	28,419	28,419	-
ARP Special Education - Preschool Grants								
COVID-19 221285-2122	84.173X	12,675	176	7,648	-	176	-	-
Total Preschool Incentive Grants		63,766	4,690	30,320	-	33,109	28,419	-
Total Special Education Cluster (IDEA)		2,336,876	218,684	1,150,753	-	1,156,952	1,058,823	120,555
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies								
221530-2122	84.010	596,244	87,095	574,492	-	87,095	-	-
231580	84.010	20,000	-	-	-	-	14,711	14,711
231530-2223	84.010	544,224	-	-	-	436,239	517,299	81,060
Total Title I Grants to Local Educational Agencies		1,160,468	87,095	574,492	-	523,334	532,010	95,771
Passed through Genesee Intermediate School District								
Perkins								
2022-25000-00032	84.048	19,304	(31)	18,403	31	-	-	-
233520-231215	84.048	39,504	-	-	-	35,622	38,521	2,899
Total Career and Technical Education - Basic Grants to States		58,808	(31)	18,403	31	35,622	38,521	2,899

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Flushing Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title	AL #	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2022	Prior Year Expenditures	Adjustments	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2023
Passed through Michigan Department of Education Title IIA Supporting Effective Instruction State Grant 220520-2122 230520-2223	84.367 84.367	\$ 166,199 202,518	\$ 19,452 -	\$ 71,753 -	\$ - -	\$ 19,452 111,326	\$ - 140,778	\$ - 29,452
Total Title IIA Supporting Effective Instruction State Grant		368,717	19,452	71,753	-	130,778	140,778	29,452
Passed through Michigan Department of Education Title III, Part A Immigrant Students 220570-2122 230570-2223	84.365A 84.365A	3,554 5,147	1,301 -	1,301 -	- -	2,194 -	893 589	- 589
Total Title III, Part A Immigrant Students		8,701	1,301	1,301	-	2,194	1,482	589
Passed through Michigan Department of Education Title IV, Part A Student Support and Academic Enrichment 220750-2122 230750-2223	84.424A 84.424A	44,914 52,641	6,917 -	29,111 -	- -	6,917 28,002	- 42,539	- 14,537
Total Title IV, Part A Student Support and Academic Enrichment		97,555	6,917	29,111	-	34,919	42,539	14,537
Passed through Michigan Department of Education Education Stabilization Fund 213714-2021 - COVID-19 - ESSER II Benchmark Assessment Funds 213722-2122 - COVID-19 - ESSER II 23b (2a) Summer School 213742-2122 - COVID-19 - ESSER II 23b (2b) Credit Recovery 213752-2122 - COVID-19 - ESSER II 23b (2c) Before/After School	84.425D 84.425D 84.425D 84.425D	1,044,830 224,950 54,450 25,000	57,339 34,272 13,606 12,773	1,044,830 202,753 53,068 17,579	- - - -	57,339 56,469 14,988 12,773	- 22,197 1,382 4,313	- - - 4,313
		1,349,230	117,990	1,318,230	-	141,569	27,892	4,313
213713-2122 - COVID-19 - ESSER III Formula 213723-2122 - COVID-19 - Section 11T	84.425U 84.425U	4,163,495 413,847	400,915 -	1,457,845 -	- -	1,342,170 260,058	1,357,673 327,256	416,418 67,198
		4,577,342	400,915	1,457,845	-	1,602,228	1,684,929	483,616
Total Education Stabilization Fund		5,926,572	518,905	2,776,075	-	1,743,797	1,712,821	487,929
Total U.S. Department of Education		9,957,697	852,323	4,621,888	31	3,627,596	3,526,974	751,732
U.S. Department of Health and Human Services Passed Through Genesee Intermediate School District Medicaid Cluster Medical Assistance Program 2023	93.778	8,793	-	-	-	8,793	8,793	-
Total U.S. Department of Health and Human Services		8,793	-	-	-	8,793	8,793	-
Total Federal Programs		\$ 11,615,634	\$ 812,096	\$ 4,658,464	\$ 31	\$ 5,208,730	\$ 5,148,335	\$ 751,732

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Flushing Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Flushing Community Schools under programs of the federal government for the year ended June 30, 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of Flushing Community Schools, it is not intended to and does not present the financial position or changes in financial position of Flushing Community Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Flushing Community Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

The following reconciled the federal revenue reported in the June 30, 2023 financial statements to the expenditures on Flushing Community Schools administered federal programs reported on the schedule of expenditures of federal awards:

Federal revenues reported on the financial statement	\$ 5,505,685
Child Care Relief Fund Grants received as a beneficiary	<u>(357,350)</u>
Total reported expenditures for federal awards	<u>\$ 5,148,335</u>

Note 4 - Subrecipients

The School District did not transfer any federal funds to subrecipients during the fiscal year.

Flushing Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the CMS Grant Auditor Report (GAR) is in agreement with the SEFA except for the following difference caused by timing of cash receipts:

Federal Grantor Program Title	Federal Assistance Listing Number	Grantor Number	Reported on Grantor Auditor Report	Reported on Schedule of Expenditures of Federal Awards	Variance
Elementary and Secondary School Emergency Relief (ESSER) Formula II	84.425D	213714-2021	\$ -	\$ 57,339	\$ (57,339)
Elementary and Secondary School Emergency Relief (ESSER) Formula III	84.425U	213713-2122	<u>1,385,930</u>	<u>1,342,170</u>	<u>43,760</u>
Total			<u>\$ 1,385,930</u>	<u>\$ 1,399,509</u>	<u>\$ (13,579)</u>

The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with the SEFA for USDA donated food commodities.

Flushing Community Schools
Schedule of Findings and Questioned Costs
June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-----------|------------------------------------|
| • Material weakness(es) identified? | _____ Yes | _____ <u>X</u> _____ No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ Yes | _____ <u>X</u> _____ None reported |

Noncompliance material to financial statements noted?

_____ Yes _____ X _____ No

Federal Awards

Internal control over major programs:

- | | | |
|---|-----------|------------------------------------|
| • Material weakness(es) identified? | _____ Yes | _____ <u>X</u> _____ No |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ Yes | _____ <u>X</u> _____ None reported |

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?

_____ Yes _____ X _____ No

Flushing Community Schools
Schedule of Findings and Questioned Costs
June 30, 2023

Identification of major programs:

CFDA Numbers

84.425D & 84.425U

84.027A, 84.027X, 84.173A & 84.173X

Name of Federal Program

Education Stabilization Fund

Special Education Cluster

Dollar threshold used to distinguish
between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee:

 X Yes

 No

Section II – Governmental Auditing Standards Findings

No matters were noted.

Section III - Federal Award Findings

No matters were noted.

Flushing Community Schools
Summary Schedule of Prior Audit Findings
June 30, 2023

There were no findings for the year ended June 30, 2022.