



**LUDINGTON AREA
SCHOOL DISTRICT
Mason County, Michigan**

Annual Financial Report

For the year ended June 30, 2023

LUDINGTON AREA SCHOOL DISTRICT
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For the year ended June 30, 2023

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

November 1, 2023

The Board of Education
Ludington Area School District

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 Ludington Area School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Ludington Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ludington Area School District, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 Ludington Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ludington Area School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ludington Area School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

Changes in Accounting Principle

As discussed in Note L to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* and No. 101, *Compensated Absences* for the fiscal year June 30, 2023. Our opinion is not modified in respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, on our consideration of Ludington Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Ludington Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ludington Area School District's internal control over financial reporting and compliance.



Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS



As management of the Ludington Area School District (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

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

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Financial Statements

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

The two district-wide statements report the District’s net position, and how it has changed. Net position - the difference between the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources- is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District’s overall health, one should consider additional non-financial factors such as changes in the District’s property tax-base and the condition of school buildings and other facilities.

LUDINGTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2023



In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

New Accounting Pronouncements Implemented

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This Statement enhances the relevance and consistency of information about governments' subscription-based information technology arrangements. In addition, the District implemented GASB Statement No. 101 *Compensated Absences* during the fiscal year ended June 30, 2023. This Statement will provide a more consistent application for recognizing liabilities related to compensated absences, which is expected to potentially eliminate comparability issues between governments that offer different types of leave and enhance the relevance and reliability of information for compensated absences. See Note L for additional information.

Condensed District-wide Financial Information

The Statement of Net Position provides financial information on the District as a whole.

| | 2023 | 2022 |
|---------------------------------------|------------------------|------------------------|
| Assets | | |
| Current assets | \$ 53,742,140 | \$ 69,061,031 |
| Net Capital Assets | 65,158,319 | 47,922,673 |
| Total Assets | 118,900,459 | 116,983,704 |
| Deferred Outflows of Resources | 18,654,277 | 11,034,474 |
| Liabilities | | |
| Current liabilities | 7,076,860 | 6,727,763 |
| Noncurrent liabilities | 94,099,934 | 96,131,961 |
| Net pension liability | 50,615,458 | 31,605,435 |
| Net OPEB liability | 2,818,795 | 2,040,936 |
| Total Liabilities | 154,611,047 | 136,506,095 |
| Deferred Inflows of Resources | 6,002,485 | 18,009,732 |
| Net Position | | |
| Net investment in capital assets | 11,974,076 | 11,554,190 |
| Restricted | 2,509,942 | 2,464,954 |
| Unrestricted (deficit) | (37,542,814) | (40,516,793) |
| Total Net Position | \$ (23,058,796) | \$ (26,497,649) |

LUDINGTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2023



The Statement of Activities presents changes in net position from operating results:

| | 2023 | 2022 |
|--|------------------------|------------------------|
| Program Revenues | | |
| Charges for services | \$ 498,050 | \$ 160,105 |
| Operating grants | 13,439,754 | 6,849,284 |
| General Revenues | | |
| Property taxes | 23,303,108 | 22,345,120 |
| State school aid, unrestricted | 1,290,729 | 534,796 |
| Interest and investment earnings | 1,411,937 | 84,604 |
| Universal service fund (E-rate) | 1,194,265 | - |
| Other | 1,487,161 | 886,855 |
| | 42,625,004 | 30,860,764 |
| Expenses | | |
| Instruction | 1,531,680 | 18,259,255 |
| Supporting services | 32,522,872 | 8,373,640 |
| Food service | 1,050,592 | 846,166 |
| Community services | 273,131 | 121,972 |
| Other | 444,870 | 1,038,181 |
| Interest on long-term debt | 3,363,006 | 1,894,002 |
| | 39,186,151 | 30,533,216 |
| Total Expenses | 39,186,151 | 30,533,216 |
| Increase (Decrease) in net position | 3,438,853 | 327,548 |
| Net Position, Beginning of Year | (26,497,649) | (26,825,197) |
| Net Position, End of Year | \$ (23,058,796) | \$ (26,497,649) |

Financial Analysis of the District as a Whole

Unrestricted net position increased by \$2,973,979 to a deficit of \$37,542,814 at June 30, 2023. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$2,091,626 during the fiscal year. In addition, the District's net OPEB liability, including outflows and inflows of resources, decreased by \$1,930,794 during the fiscal year.

Total revenues exceeded expenses by \$3,438,853, increasing total net position from a deficit of \$26,497,649 to a deficit of \$23,058,796.

The District's total revenues increased by \$11,764,240 (38.12%) to \$42.6 million. Property taxes and unrestricted state aid accounted for most of the District's revenues, contributing 58% of the total. Another 32% came from state and federal aid for specific programs, and the remainder from fees charged for services, interest earnings, donations and miscellaneous sources.

The total cost of all programs and services increased by \$8,652,935 (28.34%) to \$39.2 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (71%). The District's administrative and business activities accounted for 11% of total costs. Operation and maintenance expenses accounted for 7% of the total costs.



Fund Financial Statements

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

The District utilizes one kind of fund:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Ludington Area School District's funds are described as follows:

Major Funds

General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$33,520,095, total other financing source of \$45,000, total expenditures of \$30,035,268, and total other financing uses of \$392,370. It ended the fiscal year with a fund balance of \$3,246,846, up from \$109,389 as of June 30, 2022.

Capital Projects Fund

The District has one major Capital Projects Fund. The 2022 Construction Fund had total revenues of \$1,286,242 and total expenditures of \$18,198,184. It ended the year with a fund balance of \$42,431,369, down from \$59,343,311 at June 30, 2022.

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, the Food Service Fund and the Student/School Activity Fund. Total revenues were \$1,647,204, total expenditures were \$1,665,843 and total other financing uses were \$45,000. Fund balances totaled \$776,907 at June 30, 2023, of which \$225,399 is attributed to the Food Service Fund and \$551,508 is attributed to the Student/School Activity Fund.

Debt Service Funds

The District operates six nonmajor Debt Service Funds. Total revenues were \$5,318,451, total expenditures were \$5,493,413, and total other financing sources and uses, related to interfund transfers between the Debt Service Funds, amount to \$3,640,565. The funds ended the year with a total fund balance of \$893,141, down from \$1,068,103 at June 30, 2022.

LUDINGTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2023



Capital Projects Funds

The District has four nonmajor Capital Projects Funds. The 2013 Buses, 2019 Construction, the 2022 Tech, and the Building and Site Capital Projects Funds. The funds had total revenues of \$853,012 and total expenditures of \$2,603,648. The funds ended the year with a total fund balance of \$1,947,802, down from \$3,698,438 at June 30, 2022.

General Fund Budgetary Highlights

The District amended its budget three times during the year. Adjustments to revenues took into consideration the actual level of per pupil state funding as well as the actual student enrollment. These two factors determine how much total school aid will be received during the fiscal year. Expenditures were amended to reflect actual personnel costs and other operational changes realized during the fiscal year.

Federal sources of grant revenue and expense were less than the final budget due to the underspending of Title I, Title II, and Title IV, funds. These differences will be carried over into the 2023-2024 school year.

Capital Asset and Debt Administration

Capital Assets

By the end of 2023, the District had invested \$65.2 million, net of accumulated depreciation, in a broad range of capital assets, including land and land improvements, school buildings, athletic facilities, technology equipment, school buses and other vehicles, and administrative offices. This amount represents an increase in net capital assets of \$17,235,646 from June 30, 2022. More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.

The net book value of District assets at June 30, 2023 are as follows:

| | |
|----------------------------|-----------------------------|
| Land | \$ 1,069,710 |
| Land improvements | 5,091,060 |
| Buildings and improvements | 34,740,834 |
| Furniture and equipment | 3,426,501 |
| Vehicles | 814,619 |
| Construction in progress | <u>20,015,595</u> |
| Net Capital Assets | <u>\$ 65,158,319</u> |

Long-term Obligations

At year end, the District had \$96.1 million in general obligation bonds and other long-term debt outstanding – a decrease of \$2.1 million from the prior year.

- The District continued to pay down its general obligation debt, retiring \$1,850,000 of outstanding bonds.
- The District's bond rating for general obligation debt was affirmed by Standard and Poor's as AA with a stable outlook. The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within a District's boundaries.

We present more detailed information about our long-term liabilities in Note F to the Notes to Basic Financial Statements.



Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2023-24 fiscal year:

Our elected officials and administration consider many factors when setting the District's budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. A majority of the District's General fund revenues are generated from local property taxes in combination with State Aid based on the per pupil allowance. Under State law, the District cannot assess additional property tax revenue for general operations.

It is expected that the overall unfunded liability of the Michigan Public School Employees' Retirement System will continue at the existing level for the foreseeable future, which will require each State School Aid budget to provide a significant amount of State School Aid Fund dollars to satisfy the system's annual required contributions.

District administration needs to be diligent in its decision-making as the Board needs to be able to recapture structural balance in the General fund budget and concentrate on increasing reserves to a stable level. Although the State's budget was not set when the 2023-2024 budget was approved, the District estimated a \$458 per pupil increase in the foundation allowance and declining enrollment of students from the 2022-2023 blended count.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Ludington Area School District, 809 East Tinkham Avenue, Ludington, Michigan 49431.

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BASIC FINANCIAL STATEMENTS

LUDINGTON AREA SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash | \$ 500 |
| Cash equivalents, deposits and investments (Note B) | 49,703,894 |
| Accounts receivable | 161,446 |
| Due from other governmental units (Note C) | 3,618,149 |
| Inventory | 28,300 |
| Prepaid expenses | 229,851 |
| Capital assets, not being depreciated (Note E) | 21,085,305 |
| Capital assets being depreciated, net (Note E) | 44,073,014 |
| | 118,900,459 |
| Deferred Outflows of Resources | |
| Deferred pension amounts | 14,713,565 |
| Deferred OPEB amounts | 3,940,712 |
| | 18,654,277 |
| Liabilities | |
| Checks written on future deposits | 45,119 |
| Accounts payable | 1,707,845 |
| Due to other governmental units | 1,137,436 |
| Accrued interest payable | 594,112 |
| Salaries payable | 1,361,830 |
| Unearned revenue | 193,845 |
| Long-term liabilities (Note F): | |
| Due within one year | 2,036,673 |
| Due in more than one year | 94,099,934 |
| Net pension liability | 50,615,458 |
| Net OPEB liability | 2,818,795 |
| | 154,611,047 |
| Deferred Inflows of Resources | |
| Deferred pension amounts | 209,685 |
| Deferred OPEB amounts | 5,792,800 |
| | 6,002,485 |
| Net Position | |
| Net investment in capital assets | 11,974,076 |
| Restricted for: | |
| Capital projects | 1,434,006 |
| Debt service | 299,029 |
| Food service | 225,399 |
| Student/school activity | 551,508 |
| Unrestricted (deficit) | (37,542,814) |
| | \$ (23,058,796) |

See accompanying notes to basic financial statements.

LUDINGTON AREA SCHOOL DISTRICT
Statement of Activities
For the year ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--------------------------------------|----------------------|-------------------------|----------------------|--|
| | | Charges for Services | Operating Grants | |
| Governmental Activities | | | | |
| Instruction | \$ 1,531,680 | \$ 129,268 | \$ 11,903,290 | \$ 10,500,878 |
| Supporting services | 32,522,872 | 76,976 | 696,834 | (31,749,062) |
| Food service | 1,050,592 | 253,831 | 760,953 | (35,808) |
| Community services | 273,131 | 37,975 | - | (235,156) |
| Other | 444,870 | - | 78,677 | (366,193) |
| Interest on long-term debt | 3,363,006 | - | - | (3,363,006) |
| Total Governmental Activities | \$ 39,186,151 | \$ 498,050 | \$ 13,439,754 | (25,248,347) |
| General Revenues | | | | |
| Taxes: | | | | |
| | | | | 17,665,348 |
| | | | | 5,239,018 |
| | | | | 398,742 |
| | | | | 1,290,729 |
| | | | | 1,411,937 |
| | | | | 1,194,265 |
| | | | | 1,487,161 |
| | | | | 28,687,200 |
| | | | | 3,438,853 |
| | | | | (26,497,649) |
| | | | | \$ (23,058,796) |

See accompanying notes to basic financial statements.

LUDINGTON AREA SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2023

| | General | 2022 Construction | Nonmajor | Total |
|--|---------------------|----------------------|---------------------|----------------------|
| Assets | | | | |
| Cash | \$ 500 | \$ - | \$ - | \$ 500 |
| Cash equivalents and investments (Note B) | - | 45,600,137 | 4,103,757 | 49,703,894 |
| Accounts receivable | 156,738 | - | 4,708 | 161,446 |
| Due from other funds (Note D) | 3,700,973 | - | 1,733,995 | 5,434,968 |
| Due from other governmental units (Note C) | 3,618,149 | - | - | 3,618,149 |
| Inventory | - | - | 28,300 | 28,300 |
| Prepaid expenditures | 228,261 | - | 1,590 | 229,851 |
| Total Assets | \$ 7,704,621 | \$45,600,137 | \$ 5,872,350 | \$ 59,177,108 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Checks written on future deposits | \$ 45,119 | \$ - | \$ - | \$ 45,119 |
| Accounts payable | 1,148 | 1,532,516 | 174,181 | 1,707,845 |
| Due to other funds (Note D) | 1,733,995 | 1,636,252 | 2,064,721 | 5,434,968 |
| Due to other governmental units (Note C) | 1,136,979 | - | 457 | 1,137,436 |
| Salaries payable | 1,360,770 | - | 1,060 | 1,361,830 |
| Unearned revenue | 179,764 | - | 14,081 | 193,845 |
| Total Liabilities | 4,457,775 | 3,168,768 | 2,254,500 | 9,881,043 |
| Fund Balances (Note A) | | | | |
| Nonspendable | 228,261 | - | 29,890 | 258,151 |
| Restricted | - | 42,431,369 | 3,587,960 | 46,019,329 |
| Committed | 1,000,000 | - | - | 1,000,000 |
| Unassigned | 2,018,585 | - | - | 2,018,585 |
| Total Fund Balances | 3,246,846 | 42,431,369 | 3,617,850 | 49,296,065 |
| Total Liabilities and Fund Balances | \$ 7,704,621 | \$45,600,137 | \$ 5,872,350 | \$ 59,177,108 |

See accompanying notes to basic financial statements.

LUDINGTON AREA SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

| | | |
|---|-----------------|------------------------|
| Total governmental fund balances | | \$ 49,296,065 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$83,166,448 and accumulated depreciation is \$18,008,129. | | 65,158,319 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | | |
| General obligation bonds | \$ (89,165,000) | |
| Bond premium, unamortized | (6,964,408) | |
| Accumulated vacation/sick leave | (7,199) | (96,136,607) |
| Accrued interest is not included as a liability in governmental funds. | | (594,112) |
| Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds: | | |
| Net pension liability | (50,615,458) | |
| Deferred outflows of resources | 14,713,565 | |
| Deferred inflows of resources | (209,685) | (36,111,578) |
| Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds: | | |
| Net OPEB liability | (2,818,795) | |
| Deferred outflows of resources | 3,940,712 | |
| Deferred inflows of resources | (5,792,800) | (4,670,883) |
| Total net position - governmental activities | | \$ (23,058,796) |

See accompanying notes to basic financial statements.

LUDINGTON AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2023

| | General | 2022 Construction | Nonmajor | Total |
|--|---------------------|----------------------|---------------------|---------------------|
| Revenues | | | | |
| Local sources | \$19,629,047 | \$ 1,286,242 | \$ 6,979,232 | \$27,894,521 |
| State sources | 7,957,387 | - | 132,669 | 8,090,056 |
| Federal sources | 5,287,872 | - | 706,766 | 5,994,638 |
| Interdistrict sources | 645,789 | - | - | 645,789 |
| Total Revenues | 33,520,095 | 1,286,242 | 7,818,667 | 42,625,004 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 18,715,271 | - | - | 18,715,271 |
| Supporting services | 10,995,077 | - | 627,542 | 11,622,619 |
| Food service | - | - | 1,038,301 | 1,038,301 |
| Community services | 272,420 | - | - | 272,420 |
| Capital outlay | - | 18,198,184 | 2,603,648 | 20,801,832 |
| Debt service: | | | | |
| Principal repayment | - | - | 1,850,000 | 1,850,000 |
| Interest and fiscal charges | - | - | 3,643,413 | 3,643,413 |
| Interdistrict | 52,500 | - | - | 52,500 |
| Total Expenditures | 30,035,268 | 18,198,184 | 9,762,904 | 57,996,356 |
| Excess (Deficiency) of Revenues Over Expenditures | 3,484,827 | (16,911,942) | (1,944,237) | (15,371,352) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 45,000 | - | 3,640,565 | 3,685,565 |
| Transfers out | - | - | (3,685,565) | (3,685,565) |
| Other transactions | (392,370) | - | - | (392,370) |
| Total Other Financing Sources (Uses) | (347,370) | - | (45,000) | (392,370) |
| Net Change in Fund Balances | 3,137,457 | (16,911,942) | (1,989,237) | (15,763,722) |
| Fund Balances, Beginning of Year | 109,389 | 59,343,311 | 5,607,087 | 65,059,787 |
| Fund Balances, End of Year | \$ 3,246,846 | \$ 42,431,369 | \$ 3,617,850 | \$49,296,065 |

See accompanying notes to basic financial statements.

LUDINGTON AREA SCHOOL DISTRICT
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 \$ (15,763,722)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

| | | | |
|--|----------------------|--------------------|------------|
| | Capital outlays | \$ 19,135,335 | |
| | Depreciation expense | <u>(1,416,716)</u> | 17,718,619 |

In the Statement of Activities, only the loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold/retired. (482,973)

Bond premium is amortized over life of the new bond issue on the Statement of Activities. 265,781

Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:
 Repayment of general obligation bonds 1,850,000

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. 14,626

In the Statement of Net Position, accumulated vacation pay and compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned exceeded the amounts used/paid by \$2,646. (2,646)

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds. \$ (2,091,626)

The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds. 1,930,794

Total changes in net position - governmental activities \$ 3,438,853

LUDINGTON AREA SCHOOL DISTRICT
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|--|-------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 17,844,645 | \$ 19,519,134 | \$ 19,629,047 | \$ 109,913 |
| State sources | 4,721,649 | 7,954,456 | 7,957,387 | 2,931 |
| Federal sources | 3,431,185 | 5,217,737 | 5,287,872 | 70,135 |
| Interdistrict sources | 585,644 | 674,188 | 645,789 | (28,399) |
| Total Revenues | 26,583,123 | 33,365,515 | 33,520,095 | 154,580 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Basic programs | 13,854,537 | 14,305,805 | 14,834,960 | (529,155) |
| Added needs | 3,447,369 | 3,805,667 | 3,880,311 | (74,644) |
| Supporting services: | | | | |
| Pupil services | 895,483 | 1,215,002 | 1,300,169 | (85,167) |
| Instructional staff services | 858,646 | 1,794,513 | 1,744,682 | 49,831 |
| General administrative services | 471,848 | 537,083 | 551,922 | (14,839) |
| School administrative services | 1,918,448 | 2,104,630 | 2,051,299 | 53,331 |
| Business services | 635,875 | 656,760 | 575,399 | 81,361 |
| Operation and maintenance services | 2,055,111 | 2,293,996 | 2,167,657 | 126,339 |
| Pupil transportation services | 1,036,779 | 1,221,414 | 1,195,908 | 25,506 |
| Central services | 240,421 | 367,603 | 387,568 | (19,965) |
| Other supporting services | 933,960 | 1,002,062 | 1,020,473 | (18,411) |
| Community services | 125,839 | 256,317 | 272,420 | (16,103) |
| Interdistrict | - | - | 52,500 | (52,500) |
| Total Expenditures | 26,474,316 | 29,560,852 | 30,035,268 | (474,416) |
| Excess (Deficiency) of Revenues Over Expenditures | 108,807 | 3,804,663 | 3,484,827 | (319,836) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 45,000 | 45,000 |
| Transfers out | (7,900) | (1,000,000) | - | 1,000,000 |
| Other transactions | - | (92,590) | (392,370) | (299,780) |
| Total Other Financing Sources (Uses) | (7,900) | (1,092,590) | (347,370) | 745,220 |
| Net Change in Fund Balances | 100,907 | 2,712,073 | 3,137,457 | 425,384 |
| Fund Balances, Beginning of Year | 109,389 | 109,389 | 109,389 | - |
| Fund Balances, End of Year | \$ 210,296 | \$ 2,821,462 | \$ 3,246,846 | \$ 425,384 |

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Note A – Summary of Significant Accounting Policies

The Ludington Area School District (the “District”) was organized under the School Code of the State of Michigan, and services a population of approximately 2,074 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District’s significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-wide and Fund Financial Statements

District-wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resources basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

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

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2022 Construction Fund are the District's major funds. Nonmajor funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided separately.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation allowance is provided from the State's School Aid Fund and is recognized as revenues in accordance with State law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

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.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service Special Revenue Fund and the Student/School Activity Special Revenue Fund.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds are used to record the bond proceeds, investment earnings and the disbursement of the monies specifically designated for acquiring buses and vehicles, and installing educational technology improvements, together with related wiring, infrastructure and equipment. The funds are retained until the purpose for which the funds were created has been accomplished.

Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan’s School Code. For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Ludington Area School District has also adopted budgets for its Special Revenue Funds. A school district's Budget Appropriations Act (the “budget”) must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Ludington Area School District utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Assistant Superintendent of Finance to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them. The legal level of budgetary control is at the function level.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventories/Prepaid Items

Inventories are valued at cost (first-in, first-out), and are accounted for using the consumption method. Inventories of the Food Service Fund consist of food and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed (consumption method) rather than when purchased.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

8. Capital Assets

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

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

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

| | |
|----------------------------|---------------|
| Land improvements | 20 years |
| Buildings and improvements | 20 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 7 years |

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Accumulated Vacation Pay

Accumulated vacation pay at June 30, 2023 has been computed and recorded in the district-wide financial statements of the District. At June 30, 2023, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for accumulated vacation pay amounted to \$7,199.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

12. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establishes standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

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. Plan investments are reported at fair value.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of net OPEB liability on the financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB liability on the financial statements.

14. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

15. Fund Balance

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

- Assigned – resources that are constrained by the government’s *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Ludington Area School District’s Board of Education has delegated authority to assign fund balances for a specific purpose to the Superintendent and the Assistant Superintendent of Finance. Assigned fund balance does not lapse at year end.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The following policy has been adopted by the Board of Education in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the District and jeopardize the continuation of necessary public services. This policy will ensure that the District maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs.
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenue shortfalls, and
- d. Provide funds for unforeseen expenditures related to emergencies.

Authority to Commit Fund Balances – Commitments will only be used for specific purposes pursuant to a formal action of the Board of Education. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Authority to Assign Fund Balances – The Board of Education delegates to the Finance Committee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Operational guidelines. The following guidelines address the classification and use of District fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The General Fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum unassigned fund balance – The District will maintain a minimum unassigned fund balance in its General Fund ranging from 10 percent to 20 percent of the subsequent year’s budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

Replenishing deficiencies – when fund balance falls below the minimum 10 percent range, the District will replenish shortages/deficiencies using the budgetary strategies and timeframes described below:

- The District will reduce recurring expenditures to eliminate any structural deficit or,
- The District will increase revenues or pursue other funding sources, or,
- Some combination of the two options above.

Minimum fund balance deficiencies shall be replenished within the following time periods:

- Deficiency resulting in a minimum fund balance between 0% and 10% shall be replenished over a period of time as necessary.
- Deficiency resulting in a minimum fund balance of less than 0% shall be replenished over a period not to exceed 3 years or otherwise as required by law.

16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal obligation repurchase agreements.
- Banker's acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act 367 of the Public Acts of 1982 being Section 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2023 related to cash equivalents and investments are detailed in the Basic Financial Statements as follows:

| | |
|----------------------------|----------------------|
| Statement of Net Position: | |
| Governmental activities | <u>\$ 49,703,894</u> |

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. West Shore Bank

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2023 balances are detailed as follows:

| | |
|------------------|---------------------|
| Cash equivalents | <u>\$ 7,852,306</u> |
|------------------|---------------------|

Custodial Credit Risk Related to Cash Equivalents and Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's bank deposits may not be returned to the District. Protection of District deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$7,852,306, and the bank balance was \$8,374,200 of which \$1,007,069 was covered by federal depository insurance and \$7,367,131 was uninsured and uncollateralized.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Investments

As of June 30, 2023, the District had the following investments:

| | | |
|--|----|------------|
| Michigan Cooperative Liquid Assets Securities System | \$ | 9,451,916 |
| US Treasury Securities | | 13,696,590 |
| Corporate Securities | | 4,920,876 |
| Commercial Paper (short-term) | | 13,782,206 |
| | | 13,782,206 |
| | \$ | 41,851,588 |

Michigan Cooperative Liquid Assets Securities System (MI CLASS) is an external pooled investment fund of qualified investments for Michigan public agencies. MI CLASS is not regulated or registered with the Securities and Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2023. The MI CLASS is carried at net asset value (NAV) as a practical expedient and was rated AAAM by Standard & Poor's rating agency.

Fair Market Value Measurement

The District is required to disclose amounts within a framework established for measuring value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in the active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in the active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing and investment and would be based on the best information available. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

| Investments by Fair Value Level | June 30, 2023 | Fair Value Measurement Using Other Significant Observable Inputs (Level 2) |
|--|----------------------|---|
| U.S. Treasury Securities | \$ 13,696,590 | \$ 13,696,590 |
| Corporate Securities | 4,920,876 | 4,920,876 |
| Commercial Paper | 13,782,206 | 13,782,206 |
| | \$ 32,399,672 | \$ 32,399,672 |

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law. At June 30, 2023, the District had no investments that were subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy does not specifically address credit risk but minimizes its credit risk by limiting investments to the types allowed by the State.

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements. The weighted average maturity of the US Treasury and Corporate Securities investments was 0.6266 at June 30, 2023.

Concentration of Credit Risk

The District minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy does not limit the amount that may be invested in any one issuer.

Foreign Currency Risk

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

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2022 and October 2022. The 2022-23 "Foundation Allowance" for Ludington Area School District was \$9,150 for 2,070 "Full Time Equivalent" students, generating \$8,018,642 in state aid payments to the District of which \$1,455,309 was paid to the District in July and August 2023 and is included in "Due From Other Governmental Units" of the General Fund at June 30, 2023.

Property taxes for the District are levied July 1 and December 1 by the City of Ludington, and the Townships of Amber, Hamlin, Pere Marquette, Riverton, and Summit, and December 1 by the Township of Riverton, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The County of Mason, through their Delinquent Tax Revolving Funds, advances all delinquent real property taxes at March 1 to the District each year prior to June 30.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Section 1211(1) of 1993 PA 32 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

District electors previously (May 2014) approved a ten-year operating millage extension for the 18 mill non-homestead property tax.

The District levied 3.35 mills for debt service purposes and 0.25 for building and site purposes in 2022, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRE.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the County of Mason with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high-tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2023, the District's property tax revenues were reduced by approximately \$169,823 under these agreements.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds, representing interfund receivables and payables for year-end expenditure allocations not reimbursed at June 30, 2023, are detailed as follows:

| | Due From | Due To |
|------------------------------|---------------------|---------------------|
| <u>Major Funds</u> | | |
| General Fund: | | |
| Special Revenue Funds: | | |
| Food Service | \$ 1,083,210 | \$ 1,235,518 |
| Debt Service Funds: | | |
| 2004 Debt | 99 | 83,861 |
| 2016 Technology | 145 | 40,721 |
| 2016 Bus | 48 | - |
| 2019 Debt | 1,996 | 13,914 |
| Capital Projects Funds: | | |
| 2022 Technology | 97,909 | 359,981 |
| 2019 Construction | 411,947 | - |
| 2022 Construction | 1,636,252 | - |
| Building and Site | 469,367 | - |
| 2022 Construction: | | |
| General Fund | - | 1,636,252 |
| | <u>3,700,973</u> | <u>3,370,247</u> |
| Total Major Funds | | |
| <u>Nonmajor Funds</u> | | |
| Special Revenue Funds: | | |
| Food Service: | | |
| General Fund | 1,235,518 | 1,083,210 |
| Debt Service Funds: | | |
| 2004 Debt: | | |
| General Fund | 83,861 | 99 |
| 2016 Technology: | | |
| General Fund | 40,721 | 145 |
| 2016 Bus: | | |
| General Fund | - | 48 |
| 2019 Debt: | | |
| General Fund | 13,914 | 1,996 |
| Capital Projects Funds: | | |
| 2022 Technology: | | |
| General Fund | 359,981 | 97,909 |
| 2019 Construction: | | |
| General Fund | - | 411,947 |
| Building and Site: | | |
| General Fund | - | 469,367 |
| | <u>1,733,995</u> | <u>2,064,721</u> |
| Total Nonmajor Funds | | |
| Total All Funds | <u>\$ 5,434,968</u> | <u>\$ 5,434,968</u> |

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Operating transfers between funds to allocate property tax revenues during the year ended June 30, 2023 were as follows:

| | Transfers In | Transfers Out |
|------------------------------|---------------------|----------------------|
| <u>Major Funds</u> | | |
| General Fund: | | |
| Special Revenue Funds: | | |
| Food Service | \$ 45,000 | \$ - |
| <u>Nonmajor Funds</u> | | |
| Special Revenue Funds: | | |
| Food Service: | | |
| General Fund | - | 45,000 |
| Debt Service Funds: | | |
| 2004 Debt: | | |
| 2019 Debt | - | 132,037 |
| 2016 Technology: | | |
| 2022 Tech Fund | - | 269,670 |
| 2016 Bus: | | |
| 2019 Debt | - | 259,285 |
| 2019 Debt: | | |
| 2004 Debt | 132,037 | - |
| 2016 Bus | 259,285 | - |
| 2022 Debt | - | 2,979,573 |
| 2022 Tech: | | |
| 2016 Technology | 269,670 | - |
| 2022 Debt: | | |
| 2019 Debt | 2,979,573 | - |
| Total Nonmajor Funds | 3,640,565 | 3,685,565 |
| Total All Funds | \$ 3,685,565 | \$ 3,685,565 |

Transfers between debt service funds were largely for reimbursement of payments made on principal and interest. The transfer between the Food Service Fund and the General Fund was to allocate indirect costs.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Balances July 1, 2022 | Additions | Deductions | Balances June 30, 2023 |
|--|----------------------------------|----------------------|----------------------|-----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,069,710 | \$ - | \$ - | \$ 1,069,710 |
| Construction in progress | 39,903,967 | 18,686,903 | 38,575,275 | 20,015,595 |
| Total capital assets not being depreciated | <u>40,973,677</u> | <u>\$ 18,686,903</u> | <u>\$ 38,575,275</u> | <u>21,085,305</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 1,487,469 | \$ 4,675,357 | \$ - | 6,162,826 |
| Buildings and improvements | 19,169,398 | 31,064,282 | 1,809,123 | 48,424,557 |
| Furniture and equipment | 2,214,874 | 2,970,940 | 113,554 | 5,072,260 |
| Vehicles | 2,583,614 | 313,128 | 475,242 | 2,421,500 |
| Total capital assets being depreciated | <u>25,455,355</u> | <u>\$ 39,023,707</u> | <u>\$ 2,397,919</u> | <u>62,081,143</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 986,473 | \$ 85,293 | \$ - | 1,071,766 |
| Buildings and improvements | 14,202,368 | 826,197 | 1,344,842 | 13,683,723 |
| Furniture and equipment | 1,493,270 | 247,351 | 94,862 | 1,645,759 |
| Vehicles | 1,824,248 | 257,875 | 475,242 | 1,606,881 |
| Total accumulated depreciation Capital assets being depreciated, net | <u>18,506,359</u> | <u>\$ 1,416,716</u> | <u>\$ 1,914,946</u> | <u>18,008,129</u> |
| Capital assets being depreciated, net | <u>6,948,996</u> | | | <u>44,073,014</u> |
| Net Capital Assets | <u>\$ 47,922,673</u> | | | <u>\$ 65,158,319</u> |

Depreciation expense was charged to District activities as follows:

| | |
|--------------------------|---------------------|
| Governmental activities: | |
| Instruction | \$ 1,037,304 |
| Supporting services | 372,052 |
| Food service | 7,360 |
| | <u>\$ 1,416,716</u> |

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Note F – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2023 are summarized as follows:

| | Debt Payable July 1, 2022 | Debt Added | Debt Retired | Debt Payable June 30, 2023 |
|---------------------------|--|-----------------------|-------------------------|---|
| General obligation bonds: | | | | |
| June 26, 2013 | \$ 730,000 | \$ - | \$ 730,000 | \$ - |
| June 17, 2019 | 33,985,000 | - | 270,000 | 33,715,000 |
| February 28, 2022 | 930,000 | - | 250,000 | 680,000 |
| May 3, 2022 | 55,370,000 | - | 600,000 | 54,770,000 |
| Bond premium | 7,230,189 | - | 265,781 | 6,964,408 |
| Accumulated vacation* | 4,553 | 2,646 | - | 7,199 |
| | <u>\$ 98,249,742</u> | <u>\$ 2,646</u> | <u>\$ 2,115,781</u> | <u>\$ 96,136,607</u> |

*Net change reflected consistent with the implementation of GASB Statement No. 101. See Note L.

Long-term obligations outstanding at June 30, 2023 are comprised of the following:

| | Final Maturity Dates | Interest Rates | Outstanding Balance | Amount Due Within One Year |
|--|-------------------------------------|---------------------------|--------------------------------|---|
| General Obligation Bonds | | | | |
| \$39,500K Building and Site June 17, 2019: | | | | |
| Principal maturities from \$740K to \$1,900K | Nov. 1, 2048 | 3.0 - 5.0% | \$ 33,715,000 | \$ 740,000 |
| \$930K School Technology Feb 28, 2022: | | | | |
| Principal maturities from \$225K to \$230K | May 1, 2026 | 1.8 | 680,000 | 230,000 |
| \$55,370K Building and Site May 3, 2022: | | | | |
| Principal maturities from \$810K to \$4,580K | May 1, 2051 | 4.0 - 5.0 | 54,770,000 | 810,000 |
| Bond premium | | | 6,964,408 | 254,673 |
| Other Obligations | | | | |
| Accumulated vacation pay | | | 7,199 | 2,000 |
| | | | <u>\$ 96,136,607</u> | <u>\$ 2,036,673</u> |

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

| Years Ending June 30 | Principal | Interest | Total |
|---------------------------------|----------------------|----------------------|-----------------------|
| 2024 | \$ 1,780,000 | \$ 3,564,671 | \$ 5,344,671 |
| 2025 | 2,035,000 | 3,476,531 | 5,511,531 |
| 2026 | 2,275,000 | 3,375,981 | 5,650,981 |
| 2027 | 2,275,000 | 3,263,806 | 5,538,806 |
| 2028 | 2,350,000 | 3,148,181 | 5,498,181 |
| 2029 | 2,425,000 | 3,028,806 | 5,453,806 |
| 2030 | 2,505,000 | 2,905,556 | 5,410,556 |
| 2031 | 2,585,000 | 2,783,531 | 5,368,531 |
| 2032 | 2,665,000 | 1,862,956 | 4,527,956 |
| 2033 | 2,745,000 | 1,738,831 | 4,483,831 |
| 2034 | 2,830,000 | 2,411,031 | 5,241,031 |
| 2035 | 2,920,000 | 2,279,306 | 5,199,306 |
| 2036 | 3,010,000 | 2,143,556 | 5,153,556 |
| 2037 | 3,100,000 | 2,019,281 | 5,119,281 |
| 2038 | 3,185,000 | 1,906,981 | 5,091,981 |
| 2039 | 3,275,000 | 1,791,606 | 5,066,606 |
| 2040 | 3,370,000 | 1,672,956 | 5,042,956 |
| 2041 | 3,465,000 | 1,550,931 | 5,015,931 |
| 2042 | 3,565,000 | 1,425,456 | 4,990,456 |
| 2043 | 3,670,000 | 1,296,331 | 4,966,331 |
| 2044 | 3,780,000 | 1,163,381 | 4,943,381 |
| 2045 | 3,895,000 | 1,029,381 | 4,924,381 |
| 2046 | 3,925,000 | 887,922 | 4,812,922 |
| 2047 | 4,050,000 | 745,544 | 4,795,544 |
| 2048 | 4,175,000 | 598,725 | 4,773,725 |
| 2049 | 4,300,000 | 446,988 | 4,746,988 |
| 2050 | 4,430,000 | 282,200 | 4,712,200 |
| 2051 | 4,580,000 | 105,200 | 4,685,200 |
| | <u>\$ 89,165,000</u> | <u>\$ 52,905,626</u> | <u>\$ 142,070,626</u> |

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Note G – Retirement Plan

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (the “System”), is a cost-sharing, multiple-employer, state-wide, defined benefit public employee retirement system 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 the 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 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 based on when the employee became a member. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. Certain employees have the option to participate in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

The System also provides disability and survivor benefits to DB plan members.

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

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.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Contributions and Funded Status

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 a 17-year period beginning October 1, 2021 and ending September 30, 2038.

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

| Plan Name | Pension Contribution Rates: | | |
|------------------------------|------------------------------------|---------------|-----------------|
| | Plan Status | Member | District |
| Basic | Closed | 0.0 – 4.0 % | 20.14% |
| Member Investment Plan (MIP) | Closed | 3.0 – 7.0% | 20.14% |
| Pension Plus | Closed | 3.0 – 6.4 % | 17.22% |
| Pension Plus 2 | Open | 6.2% | 19.93% |
| Defined Contribution | Open | 0.0% | 13.73% |

The District’s contributions to MPSERS under all pension plans for the year ended June 30, 2023, inclusive of the MSPERS UAAL Stabilization, totaled \$4,821,871.

Proportionate Share of Reporting Unit’s Net Pension Liability

At June 30, 2023, the District reported a liability of \$50,615,458 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The District’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the District’s proportion was 0.13458437%, which was an increase from 0.13349476% at September 30, 2021.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

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

For the year ended June 30, 2023, the District recognized pension expense of \$6,770,664. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 506,331 | \$ 113,171 |
| Changes of assumptions | 8,697,549 | — |
| Net difference between projected and actual earnings on pension plan investments | 118,693 | — |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 969,857 | 96,514 |
| District contributions subsequent to the measurement date* | 4,421,135 | — |
| Total | \$ 14,713,565 | \$ 209,685 |

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending June 30 | Amount |
|-----------------------------|---------------|
| 2024 | \$ 3,111,752 |
| 2025 | 2,253,219 |
| 2026 | 1,791,261 |
| 2027 | 2,926,513 |

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

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 (Non-Hybrid): | 6.00% net of investment expenses |
| Pension Plus Plan (Hybrid): | 6.00% net of investment expenses |
| Pension Plus 2: | 6.00% net of investment expenses |
| Projected Salary Increases: | 2.75% - 11.55%, including wage inflation of 2.75% |
| Cost-of-Living Adjustments: | 3% annual non-compounded for MIP members |
| Mortality: | |
| Retirees: | RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Active Members: | RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Disabled Retirees: | RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 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: [4.3922 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at (www.michigan.gov/orsschools).

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Long-Term Expected Rate of Return on Investments

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:

| Investment Category | 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 Pools | 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)% |
| Total | 100.0% | |

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

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investments, 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 6.0% was used to measure the total pension liability (6.0% for the Pension Plus Plan , 6.0% for the Pension Plus 2 Plan, 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 6.0% (6.0% for the Pension Plus Plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine the 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.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.0%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

| | 1% Decrease 5.0% | Current Single Discount Rate Assumption 6.0% | 1% Increase 7.0% |
|---|-----------------------------|---|-----------------------------|
| District’s proportionate share of the net pension liability | \$ 66,793,601 | \$ 50,615,458 | \$ 37,283,940 |

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 Michigan Public School Employees’ Retirement System September 30, 2022 Annual Comprehensive Financial Report, available here: (www.michigan.gov/orsschools).

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

Payables to the pension plan totaling \$679,966 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note H – Other Postemployment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPERS or “System”) 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.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Benefits Provided

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

Retiree Healthcare Reform of 2012

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 and Funded Status

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.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

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 a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2022:

OPEB Contribution Rates:

| Benefit Structure | Member | District |
|--------------------------------|---------------|-----------------|
| Premium Subsidy | 3.0% | 8.09% |
| Personal Healthcare Fund (PHF) | 0.0 % | 7.23% |

Required contributions to the OPEB plan from the District were \$1,052,608 for the year ended June 30, 2023.

Proportionate Share of Reporting Unit's Net OPEB Liability

At June 30, 2023, the District reported a liability of \$2,818,795 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 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 District's proportion was 0.13308364%, which was a decrease from 0.13371105% at September 30, 2021.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

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

For the year ended June 30, 2023, the District recognized OPEB credit of \$946,175. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ — | \$ 5,520,939 |
| Changes of assumptions | 2,512,482 | 204,581 |
| Net difference between projected and actual earnings on OPEB plan investments | 220,311 | — |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 316,808 | 67,280 |
| District contributions subsequent to the measurement date* | 891,111 | — |
| Total | \$ 3,940,712 | \$ 5,792,800 |

* This amount, reported as deferred outflows of resources related to OPEB resulting from District 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:

| Years Ending June 30 | Amount |
|-----------------------------|---------------|
| 2024 | \$ (936,889) |
| 2025 | (867,499) |
| 2026 | (800,258) |
| 2027 | (72,850) |
| 2028 | (63,297) |
| Thereafter | (2,406) |

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.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

| | |
|-----------------------------|---|
| Valuation Date: | September 30, 2021 |
| Actuarial Cost Method: | Entry Age, Normal |
| Asset Valuation Method: | Fair Value |
| Wage Inflation Rate: | 2.75% |
| Investment Rate of Return: | 6.00% net of investment expense |
| 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 Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

Other Assumptions:

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 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: [6.2250 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Long-Term Expected Rate of Return on Investments

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 were provided by the Bureau of Investments (BOI) 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:

| <u>Investment Category</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return*</u> |
|--------------------------------------|--------------------------|--|
| Domestic Equity Pools | 25.0% | 5.1% |
| Private Equity Pools | 16.0% | 8.7% |
| International Equity Pools | 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/Oppportunistic Pools | 10.0% | 5.8% |
| Short-term Investment Pools | 2.0% | (0.5)% |
| Total | 100.0% | |

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

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (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 6.0% 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 6.0%. 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.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

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

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

| | 1% Decrease 5.0% | Current Discount Rate 6.0% | 1% Increase 7.0% |
|--|-----------------------------|---|-----------------------------|
| District's proportionate share of the net OPEB liability | \$ 4,728,257 | \$ 2,818,795 | \$ 1,210,791 |

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

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

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|--|--------------------|---|--------------------|
| District's proportionate share of the net OPEB liability | \$ 1,180,376 | \$ 2,818,795 | \$ 4,657,952 |

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

Payables to the OPEB plan totaling \$110,382 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note I – Risk Management and Employee Benefits

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

There were no significant reductions in insurance coverage in fiscal 2022-23, and as of year ended June 30, 2023, there were no material pending claims against the District.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Note J – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted amounts for the year ended June 30, 2023, as follows:

| | Budget | | Actual | | Variance |
|-------------------------------------|---------------|----|---------------|----|-----------------|
| General Fund | | | | | |
| Instruction: | | | | | |
| Basic programs | \$ 14,305,805 | \$ | 14,834,960 | \$ | 529,155 |
| Added needs | 3,805,667 | | 3,880,311 | | 74,644 |
| Supporting services: | | | | | |
| Pupil services | 1,215,002 | | 1,300,169 | | 85,167 |
| General administrative services | 537,083 | | 551,922 | | 14,839 |
| Central services | 367,603 | | 387,568 | | 19,965 |
| Other supporting services | 1,002,062 | | 1,020,473 | | 18,411 |
| Community services | 256,317 | | 272,420 | | 16,103 |
| Interdistrict | - | | 52,500 | | 52,500 |
| Food Service Fund | | | | | |
| Food service | 1,010,813 | | 1,038,301 | | 27,488 |
| Student/School Activity Fund | | | | | |
| Other supporting services | 620,000 | | 627,542 | | 7,542 |

The District has an unrestricted net position deficit of \$37,542,814 and a total net position deficit of \$23,058,796, as of June 30, 2023. These deficit net positions result primarily from the net pension liability of \$36,111,578 and net OPEB liability of \$4,670,883 (including deferred outflows and inflows of resources related to the plans).

Note K – Commitments

The District sold \$930,000 of School Technology Bonds on February 28, 2022. The proceeds from the bonds are being used for technology purchase. At June 30, 2023, \$535,035 remained in the funds to be expended by June 30, 2024.

The District sold \$39,500,000 of School Building and Site Bonds, Series I on June 7, 2019 and \$55,370,000 of School Building and Site Bonds, Series II on May 3, 2022. The proceeds from these bonds are being used for land improvements, building renovations and additions, and furniture and equipment purchases. At June 30, 2023, \$513,796 remained in the 2019 Construction Fund to be expended by June 30, 2024, and \$42,431,369 remained in the 2022 Construction Fund to be expended by June 30, 2026.

LUDINGTON AREA SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2023

Note L – New Accounting Pronouncements Adopted

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* was adopted by the District during the fiscal year ending June 30, 2023. This statement enhances the relevance and consistency of information about governments' SBITAs by requiring recognition of right-to-use subscription assets and a corresponding subscription liability. Upon implementation, the District was not required to recognize a right-to-use subscription asset or subscription liability as of July 1, 2022. Net position as of July 1, 2022 was not required to be restated as a result of implementing the Statement.

Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* was adopted by the District during the fiscal year ended June 30, 2023. This statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability. In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

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REQUIRED SUPPLEMENTARY INFORMATION

LUDINGTON AREA SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

| | <u>Year Ended June 30, 2023</u> | <u>Year Ended June 30, 2022</u> | <u>Year Ended June 30, 2021</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| District's proportion of the net pension liability | 0.13458437% | 0.13349476% | 0.13135339% |
| District's proportionate share of the net pension liability | \$ 50,615,458 | \$ 31,605,435 | \$ 45,121,318 |
| District's covered employee payroll | \$ 13,285,603 | \$ 12,030,220 | \$ 11,746,301 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 380.98% | 262.72% | 384.13% |
| Plan fiduciary net position as a percentage of the total pension liability | 60.77% | 72.60% | 59.72% |

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

| <u>Year Ended June 30, 2020</u> | <u>Year Ended June 30, 2019</u> | <u>Year Ended June 30, 2018</u> | <u>Year Ended June 30, 2017</u> | <u>Year Ended June 30, 2016</u> | <u>Year Ended June 30, 2015</u> |
|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 0.12807199% | 0.12565541% | 0.12329753% | 0.11969751% | 0.12036616% | 0.11597462% |
| \$ 42,413,137 | \$ 37,774,285 | \$ 31,951,632 | \$ 29,863,549 | \$ 29,399,467 | \$ 25,545,153 |
| \$ 11,251,995 | \$ 10,803,345 | \$ 10,478,835 | \$ 10,255,167 | \$ 10,015,229 | \$ 9,816,366 |
| 376.94% | 349.65% | 304.92% | 291.20% | 293.55% | 260.23% |
| 60.31% | 62.12% | 63.96% | 63.01% | 62.92% | 66.15% |

LUDINGTON AREA SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

| | <u>Year Ended June 30, 2023</u> | <u>Year Ended June 30, 2022</u> | <u>Year Ended June 30, 2021</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| District's proportion of the net OPEB liability | 0.13308364% | 0.13371105% | 0.13271693% |
| District's proportionate share of the net OPEB liability | \$ 2,818,795 | \$ 2,040,936 | \$ 7,110,000 |
| District's covered-employee payroll | \$ 13,285,603 | \$ 12,030,220 | \$ 11,746,301 |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 21.22% | 16.97% | 60.53% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 83.09% | 87.33% | 59.44% |

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

| <u>Year Ended June 30, 2020</u> | <u>Year Ended June 30, 2019</u> | <u>Year Ended June 30, 2018</u> |
|-------------------------------------|-------------------------------------|-------------------------------------|
| 0.12881875% | 0.12689355% | 0.12298518% |
| \$ 9,246,285 | \$ 10,086,707 | \$ 10,890,917 |
| \$ 11,251,995 | \$ 10,803,345 | \$ 10,478,835 |
| 82.17% | 93.37% | 103.93% |
| 48.46% | 43.10% | 36.53% |

LUDINGTON AREA SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

| | <u>Year Ended June 30, 2023</u> | <u>Year Ended June 30, 2022</u> | <u>Year Ended June 30, 2021</u> |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| Contractually required contribution | \$ 4,821,871 | \$ 4,591,375 | \$ 3,966,152 |
| Contributions in relation to the contractually required contribution | <u>7,821,871</u> | <u>4,591,375</u> | <u>3,966,152</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 13,436,761 | \$ 12,622,527 | \$ 11,893,003 |
| Contributions as a percentage of covered employee payroll | 35.89% | 36.37% | 33.35% |

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

| <u>Year Ended June 30, 2020</u> | <u>Year Ended June 30, 2019</u> | <u>Year Ended June 30, 2018</u> | <u>Year Ended June 30, 2017</u> | <u>Year Ended June 30, 2016</u> | <u>Year Ended June 30, 2015</u> |
|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| \$ 3,646,326 | \$ 3,389,261 | \$ 3,210,743 | \$ 3,211,188 | \$ 3,095,658 | \$ 3,134,017 |
| <u>3,646,326</u> | <u>3,389,261</u> | <u>3,210,743</u> | <u>3,211,188</u> | <u>3,095,658</u> | <u>3,134,017</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 11,746,012 | \$ 11,213,849 | \$ 10,868,214 | \$ 10,532,252 | \$ 10,052,877 | \$ 10,020,170 |
| 31.04% | 30.22% | 29.54% | 30.49% | 30.79% | 31.28% |

LUDINGTON AREA SCHOOL DISTRICT
Required Supplementary Information
Schedule of District's OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

| | <u>Year Ended June 30, 2023</u> | <u>Year Ended June 30, 2022</u> | <u>Year Ended June 30, 2021</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Contractually required contribution | \$ 1,052,608 | \$ 1,020,700 | \$ 955,647 |
| Contributions in relation to the contractually required contribution | <u>1,052,608</u> | <u>1,020,700</u> | <u>955,647</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 13,436,761 | \$ 12,622,527 | \$ 11,893,003 |
| Contributions as a percentage of covered employee payroll | 7.83% | 8.09% | 8.04% |

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

| <u>Year Ended June 30, 2020</u> | <u>Year Ended June 30, 2019</u> | <u>Year Ended June 30, 2018</u> |
|-------------------------------------|-------------------------------------|-------------------------------------|
| \$ 926,371 | \$ 883,790 | \$ 806,774 |
| <u>926,371</u> | <u>883,790</u> | <u>806,774</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 11,746,012 | \$ 11,213,849 | \$ 10,868,214 |
| 7.89% | 7.88% | 7.42% |

LUDINGTON AREA SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2023

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2022-23.

Changes of assumptions: There were no changes of benefit assumptions in 2022-23.

Note B – Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2022-23.

Changes of assumptions: There were no changes of benefit assumptions in 2022-23.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

LUDINGTON AREA SCHOOL DISTRICT
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2023

| | Special Revenue | | Debt Service | |
|--|---------------------|----------------------------|------------------|--------------------|
| | Food Service | Student/School Activity | 2004 | 2016 Technology |
| Assets | | | | |
| Cash equivalents and investments | \$ 54,091 | \$ 551,508 | \$ - | \$ 393,598 |
| Accounts receivable | 4,708 | - | - | - |
| Due from other funds | 1,235,518 | - | 83,861 | 40,721 |
| Inventory | 28,300 | - | - | - |
| Prepaid expenditures | 1,590 | - | - | - |
| Total Assets | \$ 1,324,207 | \$ 551,508 | \$ 83,861 | \$ 434,319 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | 1,083,210 | - | 99 | 145 |
| Due to other governmental units | 457 | - | - | - |
| Salaries payable | 1,060 | - | - | - |
| Unearned revenue | 14,081 | - | - | - |
| Total Liabilities | 1,098,808 | - | 99 | 145 |
| Fund Balances | | | | |
| Nonspendable | 29,890 | - | - | - |
| Restricted | 195,509 | 551,508 | 83,762 | 434,174 |
| Total Fund Balances | 225,399 | 551,508 | 83,762 | 434,174 |
| Total Liabilities and Fund Balances | \$ 1,324,207 | \$ 551,508 | \$ 83,861 | \$ 434,319 |

(Continued)

| Debt Service | | | | Capital Projects | |
|--------------|-------------------|-------------|-------------|------------------|---------------------|
| 2016 Bus | 2019 Debt | 2022 Tech | 2022 Debt | 2013 Buses | 2019 Construction |
| \$ - | \$ 363,335 | \$ - | \$ - | \$ - | \$ 1,099,924 |
| - | - | - | - | - | - |
| - | 13,914 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 377,249</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,099,924</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 174,181 |
| 48 | 1,996 | - | - | - | 411,947 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>48</u> | <u>1,996</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>586,128</u> |
| - | - | - | - | - | - |
| <u>(48)</u> | <u>375,253</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>513,796</u> |
| <u>(48)</u> | <u>375,253</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>513,796</u> |
| <u>\$ -</u> | <u>\$ 377,249</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,099,924</u> |

LUDINGTON AREA SCHOOL DISTRICT
Combining Balance Sheet - Nonmajor Governmental Funds (Continued)
June 30, 2023

| Assets | Capital Projects | | Total |
|--|-------------------|------------------------------|---------------------|
| | 2022 Tech | Building and Site Sinking | |
| Cash equivalents and investments | \$ 272,963 | \$ 1,368,338 | \$ 4,103,757 |
| Accounts receivable | - | - | 4,708 |
| Due from other funds | 359,981 | - | 1,733,995 |
| Inventory | - | - | 28,300 |
| Prepaid expenditures | - | - | 1,590 |
| Total Assets | <u>\$ 632,944</u> | <u>\$ 1,368,338</u> | <u>\$ 5,872,350</u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ - | \$ - | \$ 174,181 |
| Due to other funds | 97,909 | 469,367 | 2,064,721 |
| Due to other governmental units | - | - | 457 |
| Salaries payable | - | - | 1,060 |
| Unearned revenue | - | - | 14,081 |
| Total Liabilities | <u>97,909</u> | <u>469,367</u> | <u>2,254,500</u> |
| Fund Balances | | | |
| Nonspendable | - | - | 29,890 |
| Restricted | 535,035 | 898,971 | 3,587,960 |
| Total Fund Balances | <u>535,035</u> | <u>898,971</u> | <u>3,617,850</u> |
| Total Liabilities and Fund Balances | <u>\$ 632,944</u> | <u>\$ 1,368,338</u> | <u>\$ 5,872,350</u> |

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LUDINGTON AREA SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2023

| | Special Revenue | | Debt Service | |
|--|-------------------|-------------------------|------------------|-------------------|
| | Food Service | Student/School Activity | 2004 | 2016 Technology |
| Revenues | | | | |
| Local sources: | | | | |
| Property taxes | \$ - | \$ - | \$ 689,037 | \$ 404,865 |
| Interest on deposits and investments | 13 | - | 3,543 | 6,503 |
| Food sales | 253,831 | - | - | - |
| Other local sources | 300 | 632,107 | - | - |
| Total local sources | 254,144 | 632,107 | 692,580 | 411,368 |
| State sources | 54,187 | - | 19,293 | 27,562 |
| Federal sources | 706,766 | - | - | - |
| Total Revenues | 1,015,097 | 632,107 | 711,873 | 438,930 |
| Expenditures | | | | |
| Current: | | | | |
| Supporting service | - | 627,542 | - | - |
| Food service | 1,038,301 | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal repayment | - | - | 730,000 | - |
| Interest and fiscal charges | - | - | 22,000 | 145 |
| Total Expenditures | 1,038,301 | 627,542 | 752,000 | 145 |
| Excess (Deficiency) of Revenues Over Expenditures | (23,204) | 4,565 | (40,127) | 438,785 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (45,000) | - | (132,037) | (269,670) |
| Total Other Financing Sources (Uses) | (45,000) | - | (132,037) | (269,670) |
| Net Change in Fund Balances | (68,204) | 4,565 | (172,164) | 169,115 |
| Fund Balances, Beginning of Year, | 293,603 | 546,943 | 255,926 | 265,059 |
| Fund Balances, End of Year | \$ 225,399 | \$ 551,508 | \$ 83,762 | \$ 434,174 |

(Continued)

| Debt Service | | | | Capital Projects | |
|--------------|--------------|-----------|-------------|------------------|-------------------|
| 2016 Bus | 2019 Debt | 2022 Tech | 2022 Debt | 2013 Buses | 2019 Construction |
| \$ - | \$ 4,145,116 | \$ - | \$ - | \$ - | \$ - |
| 1,044 | 13,219 | - | - | 171 | 47,310 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,044 | 4,158,335 | - | - | 171 | 47,310 |
| - | 8,269 | - | - | - | - |
| - | - | - | - | - | - |
| 1,044 | 4,166,604 | - | - | 171 | 47,310 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 47,783 | 750,555 |
| - | 270,000 | 250,000 | 600,000 | - | - |
| 49 | 1,221,976 | 19,670 | 2,379,573 | - | - |
| 49 | 1,491,976 | 269,670 | 2,979,573 | 47,783 | 750,555 |
| 995 | 2,674,628 | (269,670) | (2,979,573) | (47,612) | (703,245) |
| - | 391,322 | 269,670 | 2,979,573 | - | - |
| (259,285) | (2,979,573) | - | - | - | - |
| (259,285) | (2,588,251) | 269,670 | 2,979,573 | - | - |
| (258,290) | 86,377 | - | - | (47,612) | (703,245) |
| 258,242 | 288,876 | - | - | 47,612 | 1,217,041 |
| \$ (48) | \$ 375,253 | \$ - | \$ - | \$ - | \$ 513,796 |

LUDINGTON AREA SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds (Continued)
For the year ended June 30, 2023

| Revenues | Capital Projects | | Total |
|---|-------------------|----------------------|---------------------|
| | 2022 Tech | Building and Site | |
| Local sources: | | | |
| Property taxes | \$ - | \$ 398,742 | \$ 5,637,760 |
| Interest on deposits and investments | 4,127 | 19,323 | 95,253 |
| Food sales | - | - | 253,831 |
| Other local sources | 359,981 | - | 992,388 |
| Total local sources | 364,108 | 418,065 | 6,979,232 |
| State sources | - | 23,358 | 132,669 |
| Federal sources | - | - | 706,766 |
| Total Revenues | 364,108 | 441,423 | 7,818,667 |
| Expenditures | | | |
| Current: | | | |
| Supporting service | - | - | 627,542 |
| Food service | - | - | 1,038,301 |
| Capital outlay | 1,097,815 | 707,495 | 2,603,648 |
| Debt service: | | | |
| Principal repayment | - | - | 1,850,000 |
| Interest and fiscal charges | - | - | 3,643,413 |
| Total Expenditures | 1,097,815 | 707,495 | 9,762,904 |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | (733,707) | (266,072) | (1,944,237) |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | - | 3,640,565 |
| Transfers out | - | - | (3,685,565) |
| Total Other Financing Sources (Uses) | - | - | (45,000) |
| Net Change in Fund Balances | (733,707) | (266,072) | (1,989,237) |
| Fund Balances, Beginning of Year, | 1,268,742 | 1,165,043 | 5,607,087 |
| Fund Balances, End of Year | \$ 535,035 | \$ 898,971 | \$ 3,617,850 |

LUDINGTON AREA SCHOOL DISTRICT
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|-------------------|-------------------|------------------|
| Revenues | | | |
| Local sources | \$ 239,300 | \$ 254,144 | \$ 14,844 |
| State sources | 43,374 | 54,187 | 10,813 |
| Federal sources | 650,118 | 706,766 | 56,648 |
| | <u>932,792</u> | <u>1,015,097</u> | <u>82,305</u> |
| Total Revenues | | | |
| Expenditures | | | |
| Current: | | | |
| Food service | 1,010,813 | 1,038,301 | (27,488) |
| | <u>1,010,813</u> | <u>1,038,301</u> | <u>(27,488)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(78,021)</u> | <u>(23,204)</u> | <u>54,817</u> |
| Other Financing Sources (Uses) | | | |
| Transfers out | (45,000) | (45,000) | - |
| | <u>(45,000)</u> | <u>(45,000)</u> | <u>-</u> |
| Net Change in Fund Balances | (123,021) | (68,204) | 54,817 |
| Fund Balances, Beginning of Year | 293,603 | 293,603 | - |
| | <u>293,603</u> | <u>293,603</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 170,582</u> | <u>\$ 225,399</u> | <u>\$ 54,817</u> |

LUDINGTON AREA SCHOOL DISTRICT
Student/School Activity Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|--------------------------|--------------------------|-------------------------|
| Revenues | | | |
| Local sources: | | | |
| Other student activity | <u>\$ 566,000</u> | <u>\$ 632,107</u> | <u>\$ 66,107</u> |
| Expenditures | | | |
| Current: | | | |
| Other supporting services | <u>620,000</u> | <u>627,542</u> | <u>(7,542)</u> |
| Net Change in Fund Balances | (54,000) | 4,565 | 58,565 |
| Fund Balance, Beginning of Year | <u>546,943</u> | <u>546,943</u> | <u>-</u> |
| Fund Balance, End of Year | <u><u>\$ 492,943</u></u> | <u><u>\$ 551,508</u></u> | <u><u>\$ 58,565</u></u> |