

Elk Rapids Schools

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2021

CONTENTS

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	i
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	3
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION.....	6
STATEMENT OF ACTIVITIES.....	7
BALANCE SHEET - GOVERNMENTAL FUNDS.....	8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS.....	9
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES.....	10
STATEMENT OF FIDUCIARY NET POSITION.....	11
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION.....	12
NOTES TO FINANCIAL STATEMENTS.....	13
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND.....	40
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY.....	41
SCHEDULE OF SCHOOL DISTRICT'S PENSION CONTRIBUTIONS.....	41
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY.....	42
SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS.....	42
COMBINING FINANCIAL STATEMENTS OF NON-MAJOR GOVERNMENTAL FUNDS	
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS	44
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS	46
OTHER SUPPLEMENTARY INFORMATION	
2016 CAPITAL PROJECTS FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE.....	49
FEDERAL PROGRAMS	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	51

CONTENTS

	<u>Page</u>
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	53
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	54
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	58

Management's Discussion and Analysis

As management of Elk Rapids Schools, 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, 2021.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$13,558,295) resulting in a negative *net position*. Of this amount, *unrestricted net position* had a negative balance of (\$25,156,414). This amount is primarily impacted by the District's \$28,685,023 proportionate share of the MPSERS net pension and OPEB obligations. This liability recognition is now required by GASB 68 and 75 as explained in Notes J and K of the financial statements.
- The district's total net position decreased by \$1,321,338 from the June 30, 2020 net position.
- As of the close of the current fiscal year, the District's *governmental funds* reported combined ending fund balances of \$24,151,466, an increase of \$22,322,087 in comparison with the prior year. This net increase is mainly attributable to bond proceeds from the 2020 bond construction fund. Of the \$24,151,466, approximately 6 percent, or \$1,404,054 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,404,054 or 11 percent of total general fund expenditures.
- Investments for the future were made by the spending of \$787,271 on equipment and infrastructural improvements. Of this, the 2016 Capital Project Fund invested \$279,838 in new computers, building additions, renovations and equipment upgrades, and the 2020 Bond Construction Fund invested \$310,280 in capitalized architect and professional fees for future building projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The District has no business-type activities as of and for the year ended June 30, 2021.

The government-wide financial statements can be found on pages 6 - 7 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the 2020 Bond Construction Fund, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided for the General Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 8 – 10 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 11 - 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 38 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining fund statements can be found on pages 44 - 47 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by (\$13,558,295) at the close of the most recent fiscal year.

The District's net position, apart from the net pension and OPEB obligations, is primarily comprised of its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Position

	Governmental Activities	
	2021	2020
Assets and Deferred Outflows of Resources		
Current and other assets	\$ 26,367,264	\$ 3,446,508
Capital assets, net	12,093,174	12,483,725
Total assets	38,460,438	15,930,233
Deferred outflows of resources	5,857,344	7,423,003
Total assets and deferred outflows of resources	<u>\$ 44,317,782</u>	<u>\$ 23,353,236</u>
Liabilities and Deferred Inflows of Resources		
Current liabilities	\$ 3,436,121	\$ 2,050,807
Long-term outstanding	50,852,803	30,352,147
Total liabilities	54,288,924	32,402,954
Deferred inflows of resources	3,587,153	3,514,643
Total liabilities and deferred inflows of resources	<u>\$ 57,876,077</u>	<u>\$ 35,917,597</u>
Net position (deficit)		
Invested in capital assets, net of related debt	11,268,673	12,062,465
Restricted	329,446	544,075
Unrestricted	<u>(25,156,414)</u>	<u>(25,170,901)</u>
Total net position (deficit)	<u>\$ (13,558,295)</u>	<u>\$ (12,564,361)</u>

Other components of the District's net position include \$186,653 for debt service and \$142,793 for food service. These represent resources that are subject to external restrictions on how they may be used. The component consisting of (\$25,156,414) represents *unrestricted net position (deficit)*.

The government's net position decreased by \$1,321,338 during the current fiscal year. See below for the major components of this decrease.

Included in the current fiscal year was foundation allowance funding, set by the State of Michigan, of \$8,111 per student.

Within the past decade, the District's enrollment has ranged between 1,250 and 1,430 students.

District's Changes in Net Position

	Governmental Activities	
	2021	2020*
Revenue		
Program revenues		
Charges for services	\$ 392,304	\$ 616,235
Operating grants/contributions	1,559,686	813,462
General revenue		
Property taxes	8,991,418	10,022,618
State school aid	3,273,250	3,099,117
Unrestricted investment earnings and other	560,063	357,606
Total revenue	14,776,721	14,909,038
Expenses		
Instruction	8,364,451	8,786,687
Supporting services	4,889,180	4,767,494
Community services	519,221	666,755
Food services	509,199	521,120
Student activities	227,874	-
Other	202,741	6,695
Interest on long-term debt	207,571	29,397
Depreciation - unallocated	1,177,822	1,174,945
Total expenses	16,098,059	15,953,093
Decrease in net position	(1,321,338)	(1,044,055)
Net deficit, beginning of year, <i>as restated</i>	(12,236,957)	(11,520,306)
Net deficit, end of year	\$ (13,558,295)	\$ (12,564,361)

*The School District implemented GASB 84 during the year ended June 30, 2021. The impact on the statement of net position, revenues and expenses for the year ended June 30, 2020 is unknown and, therefore, revenues and expense for 2021 and 2020 are not comparable for items related to GASB 84.

Governmental activities. Net position decreased by \$1,321,338. The primary elements of this net decrease were:

- The \$95,000 *reduction* of 2017 Bonded debt outstanding was offset by \$1,177,822 of depreciation expense incurred from capital assets, leaving a net decrease of \$1,082,822. This provided a decrease in the equity attributable to the District's capital assets.
- Net position decreased by \$863,210 due to the overall net increase in the combination of deferred outflows of resources, deferred inflows of resources and net pension and OPEB liability.
- Net position (excluding the effect of \$787,271 in capitalized outlays) for all governmental funds increased by \$21,534,816 due to net operating surpluses for the year and proceeds from the sale of bonds.

Financial Analysis of the District's Funds

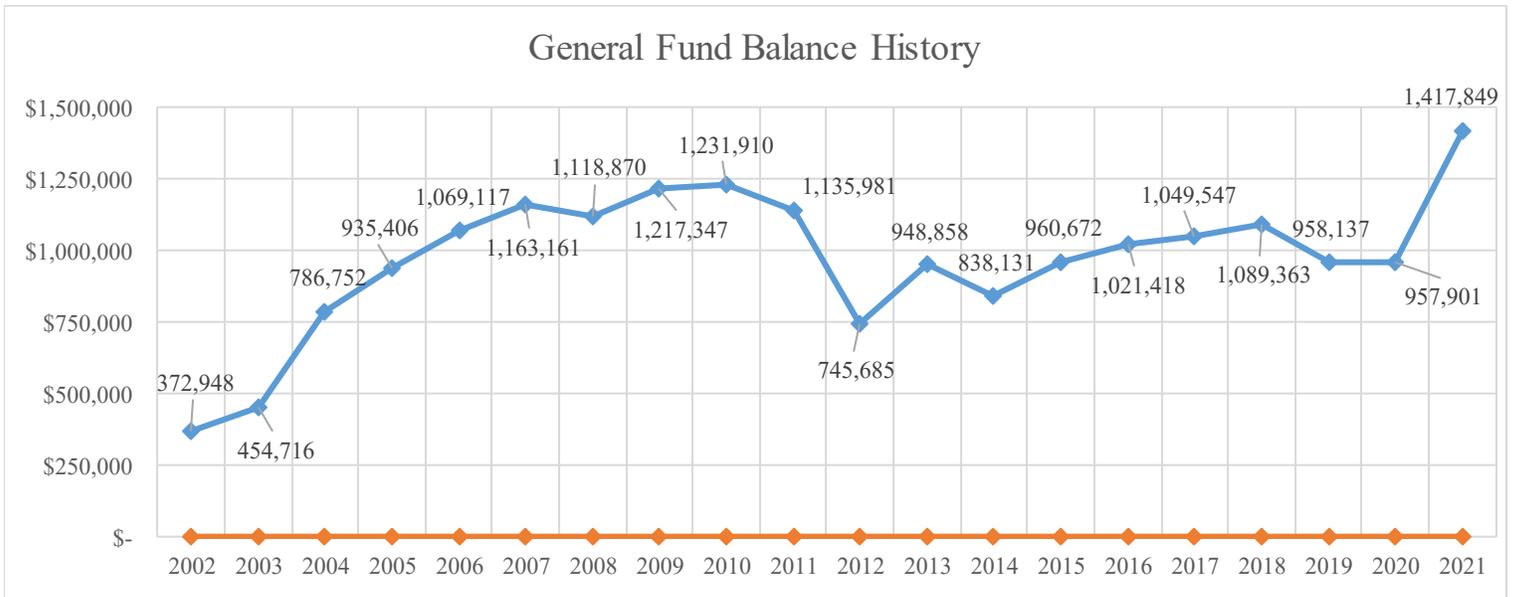
As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$24,151,466, an increase of \$22,322,087 in comparison with the prior year. Approximately six percent of this total amount (\$1,404,054) constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *non-spendable*, *restricted* or *assigned* to indicate that it is not available for new spending because the underlying assets are not available for current expenditures. This is because they are included as capital projects, school-based services and debt service fund accounts.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,404,054. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 11 percent of total general fund expenditures.

The fund balance of the District's General Fund increased by \$459,948 during the current fiscal year.



The Food Service Fund has a total fund balance of \$142,793, which increased by \$125,187.

The Athletics Fund has a total fund balance of \$0, and was unchanged from the prior year.

The Preschool and Kid's Club Fund has a total fund balance of \$0, and was unchanged from the prior year.

The Student Activities Fund has a total fund balance of \$331,056, which increased by \$3,652.

The 2017 Debt Service Fund has a total fund balance of \$186,653, which increased by \$163,790.

The 2016 Debt Service Fund has a total fund balance of \$0, which decreased by \$213,016.

The Athletics Complex Fund has a total fund balance of \$0, which decreased by \$3,901.

The Yuba School capital project fund has a total fund balance of \$0. This fund was created to account for monetary and in-kind donations directed at restoring the district-owned Yuba School in Acme Township.

The 2016 School Improvement capital project fund has a total fund balance of \$6,989. This fund was created to account for the voter-approved improvements to technology, energy efficiency, learning environment and the bus fleet.

The 2017 School Improvement capital project fund has a total fund balance of \$0. This fund was created to account for voter-approved improvements to the athletics complex.

The 2020 Bond Construction fund has a total fund balance of \$22,066,126. This fund was created to account for the voter-approved improvements to technology, the learning environment, and athletic facilities.

General Fund Budgetary Highlights

Significant differences between the original and final amended budgets were partially due to the School District receiving one-time funding sources as part of COVID-19 relief. There was also no change in the foundation allowance from the previous fiscal year, though the district was initially planning for a decrease.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2021, amounted to \$12,093,174 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment and construction in progress. The total decrease in the District's investment in capital assets for the current fiscal year was 3.2 percent.

The major capital asset events during the current fiscal year were the following:

- \$138,317 for technology upgrades. Funding was partially supported with bond proceeds from the 2016 School Improvement Fund.
- \$246,822 for building improvement upgrades. Funding was partially supported with bond proceeds from the 2016 School Improvement Fund.

	District's Capital Assets (net of depreciation) June 30, 2021
	<u>Governmental Activities</u>
Land	\$ 94,249
Construction in progress	310,280
Buildings and building improvements	10,124,448
Machinery and equipment	586,485
Furniture and fixtures	478,604
Vehicles	<u>499,108</u>
Total capital assets, net	<u>\$ 12,093,174</u>

Additional information on the District's capital assets can be found in Note F on page 22 of this report.

Long-term debt. At the end of the current fiscal year, the District had 2017 School Improvement debt outstanding of \$300,000 and 2020 School Building and Site debt of \$19,260,000. These bond issues are general obligation-unlimited tax liabilities of the District. These bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, levied without limitation as to rate or amount, on all taxable property within the District.

The District's total general obligation bonds payable decreased by (\$95,000) during the current fiscal year.

The District also has a capital lease for a plow truck. The balance owed on the capital lease at June 30, 2021 was \$14,985.

Additional information on the District's long-term debt can be found in Note G on page 23 - 24 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2021-22 fiscal year:

- Uncertainties related to enrollment counts continue to present budgeting challenges for all Michigan school districts. The district monitors pupil counts periodically throughout the year and uses this information to project future enrollment for budgeting purposes.
- The current retirement rate is estimated to be 39.91%. Although the School District continues to see some cost containment in this area due to enacted reforms, we are concerned about State Aid funding stability since the legislature is using the State Aid Fund to essentially buy down the retirement rate.
- Elk Rapids Schools and districts in the region are beginning to experience a shortage of qualified educators. We expect this issue to expand in the near future.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 707 E. Third Street, Elk Rapids, Michigan 49629.



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Education
 Elk Rapids Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Elk Rapids Schools* (the "School District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Elk Rapids Schools as of June 30, 2021, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note B to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, during the year ended June 30, 2021.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i* through *viii*, budgetary comparison information on page 40, the pension contribution schedules on page 41 and the OPEB contribution schedules on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining non-major fund financial statements and other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Board of Education
Elk Rapids Schools

We previously audited the School District's financial statements for the years ended June 30, 2016, June 30, 2017, June 30, 2018, June 30, 2019 and June 30, 2020 and our issued reports thereon, dated September 30, 2016, October 12, 2017, October 11, 2018, October 24, 2019 and November 2, 2020, respectively, expressed unmodified opinions on those audited financial statements.

The combining non-major fund financial statements, the schedule of expenditure of federal awards and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 non-major fund financial statements and other supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 29, 2021

Elk Rapids Schools

STATEMENT OF NET POSITION

June 30, 2021

Governmental
Activities

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,783,841
Investments	19,800,000
Due from other governments	698,885
Accounts receivable	49,886
Inventory	33,836
Prepays	816
Total current assets	<u>26,367,264</u>
Non-current assets	
Capital assets, net of accumulated depreciation	<u>12,093,174</u>
Total assets	<u>38,460,438</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension obligation	4,132,996
OPEB obligation	<u>1,724,348</u>
Total deferred outflows of resources	<u>5,857,344</u>
Total assets and deferred outflows of resources	<u>\$ 44,317,782</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 94,064
Salaries payable and related liabilities	1,439,634
Accrued expenses	266,697
Unearned revenue	614,639
Current portion of long-term liabilities	<u>1,021,087</u>
Total current liabilities	3,436,121
Non-current portion of long-term obligations	22,167,780
Net pension obligation	24,858,560
Net OPEB obligation	<u>3,826,463</u>
Total liabilities	<u>54,288,924</u>
DEFERRED INFLOWS OF RESOURCES	
Pension obligation	446,703
OPEB obligation	<u>3,140,450</u>
Total deferred inflows of resources	<u>3,587,153</u>
NET POSITION	
Invested in capital assets, net of related debt	11,268,673
Restricted for	
Debt retirement	186,653
Food service	142,793
Unrestricted (deficit)	<u>(25,156,414)</u>
Total net position (deficit)	<u>(13,558,295)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 44,317,782</u>

The accompanying notes are an integral part of these financial statements.

Elk Rapids Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities				
Instruction	\$ 8,364,451	\$ 750	\$ 933,137	\$ (7,430,564)
Supporting services	4,889,180	-	30,496	(4,858,684)
Community services	17,090	-	-	(17,090)
Food service	509,199	28,942	596,053	115,796
Preschool and kid's club	502,131	362,612	-	(139,519)
Student activities	227,874	-	-	(227,874)
Other	202,741	-	-	(202,741)
Interest on long-term debt	207,571	-	-	(207,571)
Depreciation - unallocated	<u>1,177,822</u>	<u>-</u>	<u>-</u>	<u>(1,177,822)</u>
Total governmental activities	<u>\$ 16,098,059</u>	<u>\$ 392,304</u>	<u>\$ 1,559,686</u>	<u>(14,146,069)</u>
General purpose revenues				
Property taxes				
Levied for general purposes				8,937,312
Levied for debt service				54,106
State school aid - unrestricted				3,273,250
Investment and other				<u>560,063</u>
Total general purpose revenues				<u>12,824,731</u>
Change in net position				(1,321,338)
Net position (deficit), beginning of year, <i>as restated</i>				<u>(12,236,957)</u>
Net position (deficit), end of year				<u><u>\$ (13,558,295)</u></u>

The accompanying notes are an integral part of these financial statements.

Elk Rapids Schools

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	General Fund	2020 Bond Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,549,625	\$ 2,332,859	\$ 901,357	\$ 5,783,841
Investments	-	19,800,000	-	19,800,000
Due from other governments	660,097	-	38,788	698,885
Accounts receivable	48,358	-	1,528	49,886
Due from other funds	531,655	-	294,791	826,446
Inventory	12,979	-	20,857	33,836
Prepaid	816	-	-	816
	<u>\$ 3,803,530</u>	<u>\$ 22,132,859</u>	<u>\$ 1,257,321</u>	<u>\$ 27,193,710</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 70,988	\$ -	\$ 23,076	\$ 94,064
Salaries payable and related liabilities	1,422,382	-	17,252	1,439,634
Accrued expenses	-	66,233	1,228	67,461
Unearned revenue	597,526	-	17,113	614,639
Due to other funds	294,785	500	531,161	826,446
	<u>2,385,681</u>	<u>66,733</u>	<u>589,830</u>	<u>3,042,244</u>
FUND BALANCES				
Non-spendable for inventory and prepaids	13,795	-	20,857	34,652
Restricted for food service	-	-	121,936	121,936
Restricted for debt service	-	-	186,653	186,653
Restricted for capital projects	-	22,066,126	6,989	22,073,115
Committed for student activities	-	-	331,056	331,056
Unassigned	1,404,054	-	-	1,404,054
	<u>1,417,849</u>	<u>22,066,126</u>	<u>667,491</u>	<u>24,151,466</u>
Total liabilities and fund balances	<u>\$ 3,803,530</u>	<u>\$ 22,132,859</u>	<u>\$ 1,257,321</u>	

Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position

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 the assets is \$30,879,628 and the accumulated depreciation is \$(18,786,454). 12,093,174

Deferred outflows of resources for pension and OPEB obligations are not a financial resource and, therefore, are not reported as an asset in governmental funds.

	Pension obligation	\$ 4,132,996	
	OPEB obligation	<u>1,724,348</u>	5,857,344

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:

	Bonds payable	(19,560,000)	
	Capital lease liability	(14,985)	
	Unamortized bond premium	(3,208,590)	
	Accumulated leave liability	(405,292)	
	Accrued interest on bonds	(199,236)	
	Net pension obligation	(24,858,560)	
	Net OPEB obligation	<u>(3,826,463)</u>	(52,073,126)

Deferred inflows of resources for pension and OPEB obligations are not claims against current financial resources and, therefore, are not reported as a liability in the governmental funds.

	Pension obligation	(446,703)	
	OPEB obligation	<u>(3,140,450)</u>	<u>(3,587,153)</u>

Total net position (deficit) - governmental activities			<u>\$ (13,558,295)</u>
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The accompanying notes are an integral part of these financial statements.

Elk Rapids Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	General Fund	2020 Bond Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 8,937,312	\$ -	\$ 54,106	\$ 8,991,418
Interest	2,981	568	583	4,132
State sources	3,273,250	-	25,532	3,298,782
Federal sources	323,995	-	570,521	894,516
Other	860,515	-	623,621	1,484,136
Total revenues	13,398,053	568	1,274,363	14,672,984
Expenditures				
Instruction	7,942,867	-	-	7,942,867
Supporting services	4,432,175	-	-	4,432,175
Community services	17,090	-	502,131	519,221
Food service	-	-	509,199	509,199
Athletics	-	-	3	3
Student activities	-	-	227,874	227,874
Debt service				
Principal	9,849	-	95,000	104,849
Interest	1,202	-	8,558	9,760
Other fees	-	196,489	500	196,989
Capital outlay	377,354	310,280	286,901	974,535
Other	5,752	-	-	5,752
Total expenditures	12,786,289	506,769	1,630,166	14,923,224
REVENUES OVER (UNDER) EXPENDITURES	611,764	(506,201)	(355,803)	(250,240)
Other financing sources (uses)				
Operating transfers in	4,030	-	373,336	377,366
Operating transfers out	(155,846)	-	(221,520)	(377,366)
Proceeds from bond issuance	-	22,572,327	-	22,572,327
Total other financing sources (uses)	(151,816)	22,572,327	151,816	22,572,327
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	459,948	22,066,126	(203,987)	22,322,087
Fund balances, beginning of year, <i>as restated</i>	957,901	-	871,478	1,829,379
Fund balances, end of year	<u>\$ 1,417,849</u>	<u>\$ 22,066,126</u>	<u>\$ 667,491</u>	<u>\$ 24,151,466</u>

The accompanying notes are an integral part of these financial statements.

Elk Rapids Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 22,322,087

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capitalized outlays exceed depreciation expense in the period.

	Capitalized outlays	\$ 787,271		
	Depreciation expense	<u>(1,177,822)</u>		(390,551)

Change in deferred outflows of resources for:

	Pension obligation	(1,681,951)		
	OPEB obligation	<u>116,292</u>		(1,565,659)

Repayment of bond and capital lease principal 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.

104,849

Bond issuance proceeds from long-term debt were received during the year. The amount of proceeds is reported in the governmental funds as a source of financing. On the other hand, the proceeds are not revenues in the statement of activities but rather constitute long-term liabilities in the statement of net position.

(19,260,000)

Bond premium, net of amortization

(3,208,590)

In the statement of activities, certain operating expenses (unused accumulated leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, accumulated leave earned was less than the amounts used by \$171,888.

171,888

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, 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 due. The higher interest reported in the statement of activities is the net result of the increase in accrued interest on bonds and notes payable.

(197,811)

Change in net pension obligation.

(688,451)

Change in net OPEB obligation.

1,463,410

Change in deferred inflows of resources for:

	Pension obligation	855,963		
	OPEB obligation	<u>(928,473)</u>		<u>(72,510)</u>

Changes in Net Position of Governmental Activities

\$ (1,321,338)

The accompanying notes are an integral part of these financial statements.

Elk Rapids Schools

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2021

	<u>Private Purpose Trust Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 9,216</u>
NET POSITION	
Restricted for scholarships	4,502
Restricted for alumni activities	<u>4,714</u>
Total net position	<u>\$ 9,216</u>

Elk Rapids Schools

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2021

	<u>Private Purpose Trust Funds</u>
Additions	
Interest income	\$ 8
Deductions	
Auditorium maintenance	<u>1,183</u>
Change in net position	(1,175)
Net position, beginning of year	<u>10,391</u>
Net position, end of year	<u><u>\$ 9,216</u></u>

Elk Rapids Schools

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Elk Rapids Schools (the "School District") is a Michigan public school district consisting of two elementary buildings, one middle school, one high school building and one alternative high school building. The School District primarily serves the Elk Rapids community. As of June 30, 2021, the School District employed 84 professional staff and 60 non-professional staff and had 1,254 students enrolled within its School District.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The School District is considered to be a local government unit.

The accounting and reporting framework and the more significant accounting principles and practices of the School District are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2021.

Financial Reporting Entity

Elk Rapids Schools' Board is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other State and local governments. The financial reporting entity of Elk Rapids Schools includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature and significance of their relationship with the School District, must be included to prevent the School District's financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole, except for its fiduciary activities. Individual funds are not displayed.

NOTES TO FINANCIAL STATEMENTS - Continued

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the School District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School District's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School District are prepared in accordance with generally accepted accounting principles ("GAAP"). The School District's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

The government-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. 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 in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available, if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Fund Types and Major Funds

Activities in Major Funds

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

The 2020 Bond Construction Fund is used to account for activity related to construction, equipping and furnishing additions to and remodeling, re-equipping and refurbishing School District buildings, including educational technology improvements.

The 2020 Bond Construction Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code.

Other Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The Special Revenue Funds maintained by the School District are the Food Service Fund, the Athletics Fund, the Preschool and Kid's Club Fund and the Student Activities Fund.

The School District has two Debt Service Funds, which are used to account for the accumulation of resources for, and the payment of, bond principal, interest and related costs.

The School District has four non-major Capital Project Funds, which are used to account for financial resources to be used for general athletic infrastructure, Yuba School renovation projects, erecting, furnishing and equipping restroom/concession buildings at the football field/track complex and at the high school soccer/baseball field and preparing, developing and improving athletic fields and sites, and constructing, equipping and furnishing additions to and remodeling, re-equipping and refurbishing School District buildings, including educational technology improvements. The Athletic Complex and Yuba Capital Projects funds acquire resources from fundraising sources only. Both the 2016 Capital Projects Fund and the 2017 Capital Projects Fund are funded by property tax revenues and interest earnings.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the government-wide statements. Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Private Purpose Trust Funds account for contributions earmarked for scholarships available to qualifying students of the School District and alumni activities.

Cash and Cash Equivalents

The School District's reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less, when purchased, to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS - Continued

Investments

Investments are stated at market value.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 5 to 50 years. The School District generally capitalizes assets with costs of \$5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land or construction-in-process. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Buildings	5-50 years
Vehicles	5-12 years
Furniture and equipment	5-25 years

Long-term Debt and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as a liability. Bond discounts and premiums are deferred and amortized over the life of the bonds. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period in which the bonds were issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the School District Board through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the School District Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

Spending Policy

When both restricted and unrestricted fund balances are available for use, it is the School District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts, when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the School District's general revenues.

The School District's most significant program revenues are Title I, At-Risk, ESSER funding and School Lunch Program, which are reported as operating grants and contributions.

Encumbrance Accounting

The School District formally records encumbrances in the accounting records during the year as a normal practice. In accordance with generally accepted accounting principles, outstanding encumbrances at year-end for which goods or services are received are reclassified as expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either canceled or are included as reappropriations of fund balance for the subsequent year.

Allocation of Expenses

The School District reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The School District has elected to not allocate indirect expenses.

NOTES TO FINANCIAL STATEMENTS - Continued

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

Post-Employment Benefits Other than Pensions ("OPEB")

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

Use of Estimates in the Preparation of Financial Statements

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

NOTE B - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2021, the School District implemented GASB Statement 84, *Fiduciary Activities*. GASB Statement 84 clarified the identification of fiduciary activities for accounting and financial reporting purposes. As a result, certain activity formerly accounted for in the agency fund is no longer considered fiduciary, and was transferred to a special revenue fund, the Student Activity Fund.

Net position at June 30, 2020, <i>as originally stated</i>	\$ (12,564,361)
Record Student Activity fund balance at June 30, 2020	<u>327,404</u>
Net position at June 30, 2020, <i>as restated</i>	<u><u>\$ (12,236,957)</u></u>
Total fund balance at June 30, 2020, <i>as originally stated</i>	\$ 1,501,975
Record Student Activity fund balance at June 30, 2020	<u>327,404</u>
Total fund balance at June 30, 2020, <i>as restated</i>	<u><u>\$ 1,829,379</u></u>

NOTE C - BUDGETARY POLICY AND PRACTICE

The School District has adopted these procedures in establishing the budgets as reflected in the financial statements.

1. As early as possible in the preceding fiscal year (generally in the spring), the Superintendent formulates preliminary budgets for the coming year, which she submits to the Board of Education for their review.
2. A public hearing is held prior to June 30 on the proposed budgets to obtain taxpayer comments.
3. The Board of Education reviews the proposed budget and then in June adopts a formal resolution approving the needed appropriations for the coming operating year.
4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Board of Education.
5. It is the Superintendent's responsibility to supervise and monitor the budget process. She does this by reviewing the monthly financial data and reporting and recommending any needed amendments to the Board of Education.
6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.
8. All annual appropriations lapse at fiscal year-end.

Excess of Expenditures over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2021, the School District was out of compliance with the Act as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>
General Fund				
Other	\$ 16,900	\$ 57,500	\$ (40,600)	(240.2)%
Operating transfers out	118,860	155,846	(36,986)	(31.1)%

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE D - CASH AND CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2021, the School District's cash and cash equivalents and investments include the following:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>	<u>Total</u>
Bank deposits	\$ 755,587	\$ -	\$ 755,587
Investments	<u>5,037,470</u>	<u>19,800,000</u>	<u>24,837,470</u>
	<u>\$ 5,793,057</u>	<u>\$19,800,000</u>	<u>\$25,593,057</u>

Bank Deposits

	Carrying Value	Uncollateralized Bank Balances		<u>Total</u>
		<u>Insured</u>	<u>Uninsured</u>	
Bank deposits	<u>\$ 755,587</u>	<u>\$ 250,000</u>	<u>\$ 505,587</u>	<u>\$ 755,587</u>

Custodial Credit Risk - Deposits

In the event of a bank failure, the School District's uninsured bank deposits may not be returned to it. As of June 30, 2021, \$250,000 of the School District's deposits were FDIC insured.

Investments

The School District's investment policy permits investments in the following vehicles:

1. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States or the State of Michigan.
2. Certificates of deposit issued by financial institutions organized and authorized to operate in Michigan.
3. Commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government or Federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the Federal deposit insurance corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Michigan Investment Liquid Asset Fund Plus ("MILAF").

NOTES TO FINANCIAL STATEMENTS - Continued

Investments at June 30, 2021 consisted of the following:

Investment Type	Fair Value	Investment Maturities (in years)			
		Current	1-5	6-10	More than 10
MILAF+ MAX	\$ 5,037,470	\$ 5,037,470	\$ -	\$ -	\$ -
MILAF Michigan Term Bonds	19,800,000	19,800,000	-	-	-
	<u>\$24,837,470</u>	<u>\$24,837,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

In accordance with the School District's investment policy, the School District will minimize 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 short-term securities or MILAF and limiting the average maturity in accordance with the School District's cash requirements. MILAF investments are carried at amortized cost and are not subject to any withdrawal restrictions.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized rating organizations. The School District's investment policy further limits its investment choices as described above. The School District's investment in the MILAF investment pool was rated AAAM by Standard & Poor's. The School District's investment in MILAF Michigan Term Bonds was rated AAakf by Kroll.

NOTE E - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Unearned Revenue and Property Tax Calendar

Property taxes are levied, billed and attached as enforceable liens in July and December of the School District's fiscal year. Townships within the School District collect and remit taxes until February 15, at which time the uncollected real property taxes are turned over to the counties as delinquent. Delinquent real property taxes are funded by the county and remitted to the School District. Delinquent personal property tax remains a receivable until collected from the taxpayer by the townships and remitted to the School District. In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the School District regardless of when cash is received. Over time, substantially all property taxes are collected.

NOTES TO FINANCIAL STATEMENTS - Continued

During the fiscal year, \$18 per \$1,000 of equalized non-principal residence property value of \$493.3 million and \$6 per \$1,000 of equalized commercial personal property value of \$3.9 million was levied for general operating purposes. For debt service purposes, \$0.05 per \$1,000 of equalized principal, non-principal residence property and commercial property value of \$1.1 billion was levied for bonded debt repayments by the Debt Service Funds.

Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues are deferred in the governmental fund financial statements and are included in unearned revenue.

Amounts due from other governments at June 30, 2021 are as follows:

Due from the Federal Government	
Federal revenue	\$ 95,208
Due from the State of Michigan	
State Aid	601,007
Other	<u>2,670</u>
	<u>\$ 698,885</u>

NOTE F - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Buildings	\$ 6,040,755	\$ -	\$ -	\$ 6,040,755
Building improvements	17,995,636	246,822	-	18,242,458
Machinery and equipment	3,352,946	138,317	-	3,491,263
Software	17,882	-	-	17,882
Furniture and fixtures	1,513,350	-	-	1,513,350
Vehicles	<u>1,077,539</u>	<u>91,852</u>	<u>-</u>	<u>1,169,391</u>
Total depreciable assets	29,998,108	476,991	-	30,475,099
Less accumulated depreciation	(17,608,632)	(1,177,822)	-	(18,786,454)
Land	94,249	-	-	94,249
Construction-in-process	<u>-</u>	<u>310,280</u>	<u>-</u>	<u>310,280</u>
Total capital assets, net	<u>\$ 12,483,725</u>	<u>\$ (390,551)</u>	<u>\$ -</u>	<u>\$ 12,093,174</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Depreciation expense was charged to the function in the statement of activities, as follows:

Unallocated \$ 1,177,822

NOTE G - LONG-TERM LIABILITIES

Changes in long-term debt during the year ended June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
General obligation bonds	\$ 395,000	\$19,260,000	\$ (95,000)	\$19,560,000	\$ 900,000
Capital lease agreement	24,834	-	(9,849)	14,985	10,446
Unamortized bond premium	-	3,236,250	(27,660)	3,208,590	110,641
Accumulated leave liability	<u>577,180</u>	<u>-</u>	<u>(171,888)</u>	<u>405,292</u>	<u>-</u>
Total long-term debt	<u>\$ 997,014</u>	<u>\$22,496,250</u>	<u>\$ (304,397)</u>	<u>\$23,188,867</u>	<u>\$1,021,087</u>

Payments on the general obligation bonds are made by the Debt Service Funds. Payments on the plow truck capital lease are made by the General Fund. The plow truck's gross cost and accumulated depreciation recorded under capital lease is \$30,466 and \$12,186 at June 30, 2021, respectively. The accumulated leave liability will be liquidated primarily by the General Fund.

At June 30, 2021, the School District's long-term debt consisted of the following:

2017 School Improvement Bonds ; due in annual installments of \$100,000 through May 2024; interest rate of 2.1%-2.45%.	\$ 300,000
2021 School Building and Site Bonds ; due in annual installments of \$220,000 to \$1,100,000 through May 2050; interest rate of 4.00%.	19,260,000
2019 Plow Truck Capital Lease ; due in monthly installments of \$921 through October 2022; including interest at a rate of 5.90%	14,985
Unamortized bond premium	3,208,590
Accumulated leave liability	<u>405,292</u>
Total long-term debt	<u>\$23,188,867</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Total annual requirements to amortize the general obligation bonds and capital lease outstanding as of June 30, 2021, are as follows:

Years Ending June 30,	Principal	Interest
2022	\$ 910,446	\$ 854,845
2023	1,204,539	743,167
2024	100,000	696,850
2025	220,000	694,400
2026	225,000	685,600
Thereafter	<u>16,915,000</u>	<u>10,273,200</u>
	<u>\$19,574,985</u>	<u>\$13,948,062</u>

Interest expense for the year ended June 30, 2021 was \$207,571, and interest paid for the year ended June 30, 2021 was \$9,760.

Accumulated Leave Liability

Employees of the School District accumulate earned but unused compensated sick leave days, as specified by the bargaining units' contract. 50% of sick leave is accrued when incurred for non-teachers and 40% for teachers. Upon either resignation or retirement, the employees are compensated at daily rates specified in the bargaining units' contracts.

NOTE H - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; unemployment benefits; and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance and risk management pools.

The School District pays unemployment claims on a reimbursement basis through the Bureau of Workers and Unemployment Compensation ("BWUC"). As BWUC pays eligible recipient benefits, this amount is billed to the School District. At June 30, 2021 there were no significant claims known to exist.

The School District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review, and processing services for all member governments pursuant to its charter.

NOTES TO FINANCIAL STATEMENTS - Continued

The School District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its General and Member Retention Funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the Member Retention Fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the School District's General Fund.

NOTE I - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds		
General Fund	\$ 531,655	\$ 294,785
2020 Bond Construction Fund	-	500
Other Non-Major Governmental Funds		
Food Service Fund	241,400	195,345
Preschool and Kid's Club Fund	52,321	135,309
Student Activities Fund	-	121,895
2017 School Improvement Bond Fund	1,070	-
2016 School Improvement Bond Fund	-	6
2016 Capital Projects Fund	-	78,606
	<u>\$ 826,446</u>	<u>\$ 826,446</u>

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

NOTES TO FINANCIAL STATEMENTS - Continued

The following schedule reports transfers and payments within the reporting entity:

	<u>Transfers in</u>	<u>Transfers out</u>
Major Governmental Funds		
General Fund	\$ 4,030	\$ 155,846
Other Non-Major Governmental Fund		
Food Service Fund	16,405	-
Preschool and Kid's Club Fund	139,441	-
2017 School Improvement Bond	214,200	-
2016 School Improvement Bond	-	214,200
Athletic Complex Fund	-	3,901
Yuba Capital Projects Fund	-	129
2017 Capital Projects Fund	-	3,290
2016 Capital Projects Fund	<u>3,290</u>	<u>-</u>
	<u>\$ 377,366</u>	<u>\$ 377,366</u>

NOTE J - PENSION PLAN

Plan Description

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

The System's 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 and 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% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation ("FAC"). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period.

There is no mandatory retirement age.

Funding Policy

Defined Contribution Plan

Employer contributions to the Plan are dependent on the plan elected by the participant.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

NOTES TO FINANCIAL STATEMENTS - Continued

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 30, 2020:

<u>Pension Contribution Rates</u>		
<u>Benefit Structure</u>	<u>Member</u>	<u>School District</u>
Basic	0.0-4.0%	19.41%
Member Investment Plan	3.0-7.0%	19.41%
Pension Plus	3.0-6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$1,988,716 for the year ended September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$24,858,560 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2019. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the systems employers during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2020, the School District's proportion was 0.07236615%, which was a decrease of 0.00061864% from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$3,451,499. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 379,818	\$ 53,057
Changes of assumptions	2,754,568	-
Net difference between projected and actual earnings on pension plan investments	104,445	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	393,646
School District contributions subsequent to the measurement date	<u>894,165</u>	<u>-</u>
Total	<u>\$ 4,132,996</u>	<u>\$ 446,703</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date of \$894,165 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2021	\$ 1,266,699
2022	895,650
2023	481,518
2024	<u>148,261</u>
Total	<u>\$ 2,792,128</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
MIP and Basic Plans:	6.80% net of investment expenses
Pension Plus Plan:	6.80% net of investment expenses
Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

NOTES TO FINANCIAL STATEMENTS - Continued

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, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, 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: 4.4892
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.6 %
Private Equity Pools	16.0	9.3
International Equity Pools	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short-Term Investment Pools	2.0	0.1
	100.0 %	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

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

1% Decrease <u>(5.80% / 5.80% / 5.00%)</u>	Current Single Discount Rate Assumption <u>(6.80% / 6.80% / 6.00%)</u>	1% Increase <u>(7.80% / 7.80% / 7.00%)</u>
\$ 32,175,189	\$ 24,858,560	\$ 18,794,705

Michigan Public School Employees' Retirement System ("MPERS") Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Comprehensive Annual Financial Report ("CAFR") available on the ORS website at: www.michigan.gov/orsschools.

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

The School District reported \$161,704 and \$5,662 payable to the plan at June 30, 2021 for legally required defined benefit and defined contribution plan contributions, respectively.

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the post-employment 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 Post-Employment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

NOTES TO FINANCIAL STATEMENTS - Continued

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2020.

<u>OPEB Contribution Rates</u>		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the School District were \$504,640 for the year ended September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$3,826,463 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2019. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was 0.07142565%, which was a decrease of 0.00227257% from its proportion measured as of September 30, 2019.

NOTES TO FINANCIAL STATEMENTS - Continued

For the year ended June 30, 2021, the School District recognized OPEB income of \$167,190. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,851,072
Changes of assumptions	1,261,661	-
Net difference between projected and actual earnings on OPEB plan investments	31,936	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	69,408	289,378
School District contributions subsequent to the measurement date	<u>361,343</u>	<u>-</u>
Total	<u>\$ 1,724,348</u>	<u>\$ 3,140,450</u>

From the above table, contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2021	\$ (484,335)
2022	(440,008)
2023	(353,734)
2024	(269,028)
2025	<u>(230,340)</u>
Total	<u>\$ (1,777,445)</u>

Actuarial Assumptions

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

NOTES TO FINANCIAL STATEMENTS - Continued

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 12
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 Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, 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: 5.6018
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.6 %
Private Equity Pools	16.0	9.3
International Equity Pools	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Oppportunistic Pools	12.5	6.6
Short-Term Investment Pools	2.0	(0.1)
Total	100.0 %	

**Long-term rates of return are net of administrative expenses and 2.1% inflation.*

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

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

<u>1% Decrease (5.95%)</u>	<u>Current Discount Rate (6.95%)</u>	<u>1% Increase (7.95%)</u>
\$ 4,915,526	\$ 3,826,463	\$ 2,909,563

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

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

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$ 2,874,456	\$ 3,826,463	\$ 4,909,253

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

The School District reported \$61,886 payable to the Plan at June 30, 2021 for the OPEB liability.

NOTE L - COMMITMENTS, RISKS AND CONTINGENCIES

School Improvement Commitment

The School District began work on a 2020 school improvement capital project during the year ended June 30, 2021. The School District has committed to a total project cost of approximately \$22,380,000. Of this amount, the School District issued bonds in the amount of \$19,260,000, plus a bond premium of approximately \$3,310,000. Approximately \$63,000 will be received in the form of interest income. As of June 30, 2021, \$506,769 has been expended to date, leaving a remaining capital acquisition commitment of approximately \$21,870,000. The 2020 Bond Construction Fund balance was \$22,066,126 at June 30, 2021.

COVID-19

On March 10, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. Throughout the pandemic, the Federal government has provided the School District with funds for increased operational costs to comply with health and safety protocols. Additional Federal funding and changes to operations are expected to continue into the next fiscal year.

Federal and State Grants

In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Collectively Bargained Employment Agreements

The teachers of the School District are organized under the Elk Rapids Education Association. The Board of Education and the Elk Rapids Education Association have a contract for the period September 1, 2021 through August 22, 2023.

The support personnel at the School District are organized under the Elk Rapids Educational Support Personnel Association. The Board of Education and the Elk Rapids Educational Support Personnel Association have a contract for the period November 3, 2020 through August 31, 2021.

The transportation personnel at the School District are organized under the Elk Rapids School District Transportation Association. The Board of Education and the Elk Rapids School District Transportation Association have a contract for August 30, 2021 through August 31, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Elk Rapids Schools

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final Budget	Final Budget To Actual
Revenues					
Local and intermediate sources	\$ 9,039,670	\$ 9,201,112	\$ 9,057,281	\$ 161,442	\$ (143,831)
State revenues	3,104,975	2,930,387	3,273,250	(174,588)	342,863
Federal revenues	252,249	815,752	323,995	563,503	(491,757)
Other	<u>265,287</u>	<u>666,585</u>	<u>743,527</u>	<u>401,298</u>	<u>76,942</u>
Total revenues	<u>12,662,181</u>	<u>13,613,836</u>	<u>13,398,053</u>	<u>951,655</u>	<u>(215,783)</u>
Expenditures					
Current					
Instruction	8,181,905	8,344,246	8,039,285	(162,341)	304,961
Supporting services	4,338,557	4,699,430	4,689,504	(360,873)	9,926
Other	<u>22,016</u>	<u>16,900</u>	<u>57,500</u>	<u>5,116</u>	<u>(40,600)</u>
Total expenditures	<u>12,542,478</u>	<u>13,060,576</u>	<u>12,786,289</u>	<u>(518,098)</u>	<u>274,287</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>119,703</u>	<u>553,260</u>	<u>611,764</u>	<u>433,557</u>	<u>58,504</u>
Other financing sources (uses)					
Operating transfers in	-	-	4,030	-	4,030
Operating transfers out	<u>(40,020)</u>	<u>(118,860)</u>	<u>(155,846)</u>	<u>(78,840)</u>	<u>(36,986)</u>
Total other financing sources (uses)	<u>(40,020)</u>	<u>(118,860)</u>	<u>(151,816)</u>	<u>(78,840)</u>	<u>(32,956)</u>
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	79,683	434,400	459,948	354,717	25,548
Fund balance, beginning of year	<u>958,137</u>	<u>957,901</u>	<u>957,901</u>	<u>(236)</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,037,820</u>	<u>\$ 1,392,301</u>	<u>\$ 1,417,849</u>	<u>\$ 354,481</u>	<u>\$ 25,548</u>

Elk Rapids Schools

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Michigan Public School Employees Retirement Plan

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
School District's proportion of collective net pension liability	0.07236615 %	0.07298479 %	0.07337153 %	0.07490101 %	0.07556707 %	0.07459000 %	0.07586000 %
School District's proportionate share of net pension liability	\$ 24,858,560	\$ 24,170,109	\$ 22,056,806	\$ 19,410,062	\$ 18,853,366	\$ 18,219,260	\$ 16,709,766
School District's covered payroll	\$ 6,319,802	\$ 6,434,855	\$ 6,172,141	\$ 6,229,831	\$ 6,407,985	\$ 6,397,542	\$ 6,464,270
School District's proportionate share of net pension liability as a percentage of covered payroll	393.34 %	375.61 %	357.36 %	311.57 %	294.22 %	284.79 %	258.49 %
Plan fiduciary net position as a percentage of total pension liability	59.72 %	60.31 %	62.36 %	64.21 %	63.27 %	63.17 %	66.20 %

SCHEDULE OF SCHOOL DISTRICT'S PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Statutorily required contributions	\$ 1,153,462	\$ 1,213,860	\$ 1,149,076	\$ 1,100,573	\$ 1,169,000	\$ 1,211,419	\$ 1,377,283
School District contributions made to the Plan	<u>1,153,462</u>	<u>1,213,860</u>	<u>1,149,076</u>	<u>1,100,573</u>	<u>1,169,000</u>	<u>1,211,419</u>	<u>1,377,283</u>
Contributions deficiency (excess)	<u>\$ -</u>						
School District's covered payroll	\$ 5,993,431	\$ 6,457,466	\$ 6,377,083	\$ 6,200,615	\$ 6,223,732	\$ 6,185,204	\$ 6,286,625
Contributions as a percentage of covered-employee payroll	19.25 %	18.80 %	18.02 %	17.75 %	18.78 %	19.59 %	21.91 %

Elk Rapids Schools

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Michigan Public School Employees Retirement Plan

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
School District's proportion of net OPEB liability	0.07142565 %	0.07369822 %	0.07259794 %	0.07504520 %
School District's proportionate share of net OPEB liability	\$ 3,826,463	\$ 5,289,873	\$ 5,770,775	\$ 6,645,606
School District's covered payroll (OPEB)	\$ 6,319,802	\$ 6,434,855	\$ 6,172,141	\$ 6,229,831
School District's proportionate share of net OPEB liability as a percentage of covered payroll	60.55 %	82.21 %	93.50 %	106.67 %
Plan fiduciary net position as a percentage of total OPEB liability	59.44 %	48.46 %	42.95 %	36.39 %

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Statutorily required OPEB contributions	\$ 465,910	\$ 495,297	\$ 474,915	\$ 448,756
OPEB contributions in relation to statutorily required contributions	465,910	495,297	474,915	448,756
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (OPEB)	\$ 5,993,431	\$ 6,457,466	\$ 6,377,083	\$ 6,200,615
OPEB contributions as a percentage of covered payroll	7.77 %	7.67 %	7.45 %	7.24 %

**COMBINING FINANCIAL STATEMENTS OF
NON-MAJOR GOVERNMENTAL FUNDS**

Elk Rapids Schools

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2021

	Special Revenue			Debt Service		
	Food Service Fund	Athletics Fund	Preschool and Kid's Club Fund	Student Activities Fund	2017 School Improvement Bond Fund	2016 School Improvement Bond Fund
ASSETS						
Cash and cash equivalents	\$ 76,971	\$ -	\$ 100,251	\$ 452,951	\$ 185,583	\$ 6
Due from other governments	38,788	-	-	-	-	-
Accounts receivable	1,528	-	-	-	-	-
Due from other funds	241,400	-	52,321	-	1,070	-
Inventory	20,857	-	-	-	-	-
Total assets	<u>\$ 379,544</u>	<u>\$ -</u>	<u>\$ 152,572</u>	<u>\$ 452,951</u>	<u>\$ 186,653</u>	<u>\$ 6</u>
LIABILITIES AND FUND						
BALANCES						
LIABILITIES						
Accounts payable	\$ 23,065	\$ -	\$ 11	\$ -	\$ -	\$ -
Salaries payable and related liabilities	-	-	17,252	-	-	-
Accrued expenses	1,228	-	-	-	-	-
Unearned revenue	17,113	-	-	-	-	-
Due to other funds	195,345	-	135,309	121,895	-	6
Total liabilities	<u>236,751</u>	<u>-</u>	<u>152,572</u>	<u>121,895</u>	<u>-</u>	<u>6</u>
FUND BALANCES						
Nonspendable	20,857	-	-	-	-	-
Restricted for debt service	-	-	-	-	186,653	-
Restricted for capital projects	-	-	-	-	-	-
Restricted for food service	121,936	-	-	-	-	-
Committed for student activities	-	-	-	331,056	-	-
Total fund balances	<u>142,793</u>	<u>-</u>	<u>-</u>	<u>331,056</u>	<u>186,653</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 379,544</u>	<u>\$ -</u>	<u>\$ 152,572</u>	<u>\$ 452,951</u>	<u>\$ 186,653</u>	<u>\$ 6</u>

Elk Rapids Schools

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - Continued

June 30, 2021

	Capital Projects				Total Non-Major Governmental Funds
	Athletic Complex Fund	Yuba Capital Projects Fund	2016 Capital Projects Fund	2017 Capital Projects Fund	
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 85,595	\$ -	\$ 901,357
Due from other governments	-	-	-	-	38,788
Accounts receivable	-	-	-	-	1,528
Due from other funds	-	-	-	-	294,791
Inventory	-	-	-	-	20,857
	-	-	85,595	-	966,313
Total assets	\$ -	\$ -	\$ 85,595	\$ -	\$ 1,257,321
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 23,076
Salaries payable and related liabilities	-	-	-	-	17,252
Accrued expenses	-	-	-	-	1,228
Unearned revenue	-	-	-	-	17,113
Due to other funds	-	-	78,606	-	531,161
	-	-	78,606	-	589,830
Total liabilities	-	-	78,606	-	589,830
FUND BALANCES					
Nonspendable	-	-	-	-	20,857
Restricted for debt service	-	-	-	-	186,653
Restricted for capital projects	-	-	6,989	-	6,989
Restricted for food service	-	-	-	-	121,936
Committed for student activities	-	-	-	-	331,056
	-	-	6,989	-	667,491
Total fund balances	-	-	6,989	-	667,491
Total liabilities and fund balances	\$ -	\$ -	\$ 85,595	\$ -	\$ 1,257,321

Elk Rapids Schools

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	Special Revenue			Debt Service		
	Food Service Fund	Athletics Fund	Preschool and Kid's Club Fund	Student Activities Fund	2017 School Improvement Bond Fund	2016 School Improvement Bond Fund
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 53,066	\$ 1,040
Interest	49	3	78	-	41	144
State sources	25,532	-	-	-	-	-
Federal sources	570,521	-	-	-	-	-
Other	28,942	-	362,612	231,526	541	-
Total revenues	<u>625,044</u>	<u>3</u>	<u>362,690</u>	<u>231,526</u>	<u>53,648</u>	<u>1,184</u>
Expenditures						
Support services						
Food service	509,199	-	-	-	-	-
Athletics	-	3	-	-	-	-
Preschool and Kid's Club	-	-	502,131	-	-	-
Student activities	-	-	-	227,874	-	-
Debt service						
Principal	-	-	-	-	95,000	-
Interest	-	-	-	-	8,558	-
Other fees	-	-	-	-	500	-
Capital outlay	7,063	-	-	-	-	-
Total expenditures	<u>516,262</u>	<u>3</u>	<u>502,131</u>	<u>227,874</u>	<u>104,058</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>108,782</u>	<u>-</u>	<u>(139,441)</u>	<u>3,652</u>	<u>(50,410)</u>	<u>1,184</u>
Other financing sources (uses)						
Operating transfers in	16,405	-	139,441	-	214,200	-
Operating transfers out	-	-	-	-	-	(214,200)
Total other financing sources (uses)	<u>16,405</u>	<u>-</u>	<u>139,441</u>	<u>-</u>	<u>214,200</u>	<u>(214,200)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	125,187	-	-	3,652	163,790	(213,016)
Fund balance, beginning of year, <i>as restated</i>	<u>17,606</u>	<u>-</u>	<u>-</u>	<u>327,404</u>	<u>22,863</u>	<u>213,016</u>
Fund balance, end of year	<u>\$ 142,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,056</u>	<u>\$ 186,653</u>	<u>\$ -</u>

Elk Rapids Schools

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - Continued

Year Ended June 30, 2021

	Capital Projects			Total Non-Major Governmental Funds	
	Athletic Complex Fund	Yuba Capital Projects Fund	2016 Capital Projects Fund		2017 Capital Projects Fund
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 54,106
Interest	-	-	266	2	583
State sources	-	-	-	-	25,532
Federal sources	-	-	-	-	570,521
Other	-	-	-	-	623,621
Total revenues	<u>-</u>	<u>-</u>	<u>266</u>	<u>2</u>	<u>1,274,363</u>
Expenditures					
Support services					
Food service	-	-	-	-	509,199
Athletics	-	-	-	-	3
Preschool and Kid's Club	-	-	-	-	502,131
Student activities	-	-	-	-	227,874
Debt service					
Principal	-	-	-	-	95,000
Interest	-	-	-	-	8,558
Other fees	-	-	-	-	500
Capital outlay	-	-	279,838	-	286,901
Total expenditures	<u>-</u>	<u>-</u>	<u>279,838</u>	<u>-</u>	<u>1,630,166</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(279,572)</u>	<u>2</u>	<u>(355,803)</u>
Other financing sources (uses)					
Operating transfers in	-	-	3,290	-	373,336
Operating transfers out	(3,901)	(129)	-	(3,290)	(221,520)
Total other financing sources (uses)	<u>(3,901)</u>	<u>(129)</u>	<u>3,290</u>	<u>(3,290)</u>	<u>151,816</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(3,901)	(129)	(276,282)	(3,288)	(203,987)
Fund balance, beginning of year, <i>as restated</i>	<u>3,901</u>	<u>129</u>	<u>283,271</u>	<u>3,288</u>	<u>871,478</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,989</u>	<u>\$ -</u>	<u>\$ 667,491</u>

OTHER SUPPLEMENTARY INFORMATION

Elk Rapids Schools

2016 CAPITAL PROJECTS FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Sixty Month and Fifteen Day Period Ended June 30, 2021

Revenue	
Investment income	\$ 82,724
Other income	<u>94,595</u>
Total revenue	<u>177,319</u>
Expenditures	
Capital outlay	4,297,786
Other	<u>194,459</u>
Total expenditures	<u>4,492,245</u>
REVENUE UNDER EXPENDITURES	<u>(4,314,926)</u>
Other financing sources (uses)	
Bond proceeds	4,395,149
Operating transfers in	3,290
Operating transfers out	<u>(76,524)</u>
Total other financing sources (uses)	<u>4,321,915</u>
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	6,989
Fund balance, beginning of period	<u>-</u>
Fund balance, end of period	<u><u>\$ 6,989</u></u>

FEDERAL PROGRAMS

Elk Rapids Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Original Approved Award/Grant Amount	Accrued Revenue July 1, 2020	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued Revenue June 30, 2021
United States Department of Agriculture							
Passed through Michigan Department of Education							
Child Nutrition Cluster							
National School Lunch Program	10.555						
Unanticipated School Closure		\$ 32,027	\$ 32,027	\$ -	\$ 32,027	\$ -	\$ -
Entitlement Commodities		27,888	-	-	27,888	27,888	-
Total National School Lunch/Commodities		<u>59,915</u>	<u>32,027</u>	<u>-</u>	<u>59,915</u>	<u>27,888</u>	<u>-</u>
Summer Food Service Program for Children	10.559						
1970							
200900		58,525	-	-	58,525	58,525	-
210904		449,402	-	-	449,402	484,108	34,706
Total Summer Food Service Program for Children		<u>507,927</u>	<u>-</u>	<u>-</u>	<u>507,927</u>	<u>542,633</u>	<u>34,706</u>
Total United States Department of Agriculture		<u>567,842</u>	<u>32,027</u>	<u>-</u>	<u>567,842</u>	<u>570,521</u>	<u>34,706</u>
United States Department of Treasury							
Passed through Copper Country ISD/MAISA							
MAISA MiConnect Connectivity COVID-19 Grants							
MAISA MiConnectivity COVID-19 Coronavirus Relief Fund	21.019	21,054	-	-	21,054	21,054	-
United States Department of Education							
Passed through Michigan Department of Education							
Title I Grants to Local Educational Agencies							
201530-1920	84.010	161,773	66,031	-	76,878	10,847	-
211530-2021		152,675	-	-	70,369	130,871	60,502
Total Title I Grants to Local Educational Agencies		<u>314,448</u>	<u>66,031</u>	<u>-</u>	<u>147,247</u>	<u>141,718</u>	<u>60,502</u>
Education Stabilization Fund							
203710-1920	84.425	131,607	-	-	131,607	131,607	-
Total passed through Michigan Department of Education		<u>446,055</u>	<u>66,031</u>	<u>-</u>	<u>278,854</u>	<u>273,325</u>	<u>60,502</u>

Elk Rapids Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued

For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Original Approved Award/Grant Amount	Accrued Revenue July 1, 2020	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued Revenue June 30, 2021
Passed through Northwest Education Services Special Education Cluster Special Education Preschool Grants 210460-2021	84.173A	26,475	-	-	26,475	26,475	-
Total United States Department of Education		<u>472,530</u>	<u>66,031</u>	<u>-</u>	<u>305,329</u>	<u>299,800</u>	<u>60,502</u>
United States Department of Health and Human Services Passed through Northwest Education Services Medicaid Cluster Medical Assistance Program	93.778	3,141	-	-	3,141	3,141	-
Total Federal financial assistance		<u>\$ 1,064,567</u>	<u>\$ 98,058</u>	<u>\$ -</u>	<u>\$ 897,366</u>	<u>\$ 894,516</u>	<u>\$ 95,208</u>

Elk Rapids Schools

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

- Note 1** The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- Note 2** Management has reported that expenditures in this Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.
- Note 3** The financial reports, including claims for advances and reimbursements and amounts claimed or used for matching are timely, complete, accurate and contain information that is supported by the books and records from which the basic financial statements have been prepared. Grant receipts reported on the Schedule of Expenditures of Federal Awards, as passed through the Michigan Department of Education, reconcile to the Grant Auditor's Report (R7120). Unreconciled differences have been disclosed to the auditor.
- Note 4** The School District did not use the 10% de-minimus cost rate under the Uniform Administrative Requirements.



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Business Advisors Since 1973

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

Board of Education
 Elk Rapids Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Elk Rapids Schools** (the "School District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 29, 2021



DENNIS, GARTLAND & NIERGARTH
Business Advisors Since 1973

Certified Public Accountants

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 Robert C. Thompson, CPA
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 Trina B. Edwards, CPA
 John A. Blair, CPA
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 Laurie A. Bamberg, CPA

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

Board of Education
 Elk Rapids Schools

Report on Compliance for Each Major Federal Program

We have audited *Elk Rapids Schools'* (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major Federal programs for the year ended June 30, 2021. The School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Elk Rapids Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 29, 2021

Elk Rapids Schools

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

CURRENT YEAR

Section 1 - Summary of Auditors' Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Elk Rapids Schools (the "School District").
2. There was one material weakness in internal control over financial reporting as a result of the audit of the financial statements. See Section 2 - Findings in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the School District were disclosed during the audit.
4. The auditor's report does not disclose any significant deficiencies in internal control over major programs.
5. The auditor's report on compliance for major federal award programs for the School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings reported in accordance with 2 CFR 200.516(a).
7. The School District's major program was the Child Nutrition Cluster (CFDA #10.555 and #10.559).
8. The dollar threshold for distinguishing between Type A and Type B programs was \$750,000.
9. The School District did not qualify as a low-risk auditee.

Section 2 - Findings in Accordance with Government Auditing Standards

Finding Number 2021-001

Segregation of Duties

Material Weakness in Internal Control over Financial Reporting

Criteria: Adequate segregation of duties for the School District is necessary to minimize the likelihood that fraud or errors could occur and not be detected.

Condition: The School District has not achieved a complete segregation of duties among employees who have both access to assets and accounting responsibilities.

Cause: The small size of the business office staff creates an inherent lack of segregation of duties.

Effect: As a result of this condition, the School District lacks proper segregation of duties and is exposed to an increased risk of misstatement of its financial statements.

Recommendation: The School District should separate staff performing record keeping from those with the ability to use the assets. This may require hiring additional staff or transferring duties across existing staff.

Management's Response: The School District has evaluated the manner in which they segregate duties and has implemented certain measures. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.

Section 3 - Findings and Questioned Costs in Accordance with the Uniform Guidance

No findings or questioned costs.

PRIOR YEAR

Finding Number 2020-001

Segregation of Duties

Material Weakness in Internal Control over Financial Reporting

Criteria: Adequate segregation of duties for the School District is necessary to minimize the likelihood that fraud or errors could occur and not be detected.

Condition: The School District has not achieved a complete segregation of duties among employees who have both access to assets and accounting responsibilities.

Cause: The small size of the business office staff creates an inherent lack of segregation of duties.

Effect: As a result of this condition, the School District lacks proper segregation of duties and is exposed to an increased risk of misstatement of its financial statements.

Recommendation: The School District should separate staff performing record keeping from those with the ability to use the assets. This may require hiring additional staff or transferring duties across existing staff.

Management's Response: The School District has evaluated the manner in which they segregate duties and has implemented certain measures. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.

Status: This finding is repeated for the year ended June 30, 2021 and there is no change in its status.

Finding Number 2020-002

Student Activity Fund Deposits

Material Weakness in Internal Control over Financial Reporting

Criteria: Accurate records must be kept of deposits to Student Activity groups to ensure proper allocation of deposits to those groups.

Condition: The School District is not currently able to produce records showing funds available by Student Activity group.

Cause: Procedures for proper record-keeping did exist prior to COVID-19, but the procedures followed during COVID-19 did not allow for proper record-keeping.

Effect: The School District is currently unable to allocate deposits to the proper student groups.

Recommendation: We recommend management investigate unallocated Student Activity fund deposits to determine proper allocation. Furthermore, we recommend management implements procedures to ensure future deposits are properly allocated in a timely manner.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Management's Response: The School District will revert back to internal control systems in place prior to COVID-19 since employees have returned to their normal work schedules.

Status: Management has re-implemented internal controls systems for student activity groups and this finding is cleared in the fiscal year ended June 30, 2021.

Finding Number 2020-003

Matured Certificate of Deposit

Material Weakness in Internal Control over Financial Reporting

Criteria: Certificates of deposit must be deposited in a timely manner following their maturity.

Condition: The School District did not deposit funds received from a certificate of deposit that matured in April 2020 until after the June 30, 2020 fiscal yearend. The matured certificate of deposit was worth approximately \$259,000.

Cause: Procedures for timely reconciliations did exist prior to COVID-19, but the procedures followed during COVID-19 did not allow for timely reconciliations.

Effect: As a result of this condition, the School District is exposed to increased risks of misstatement of its financial statements and misappropriation of its assets.

Recommendation: We recommend the School District performs regular, timely reconciliations of balance sheet accounts to ensure long outstanding deposits, like this, are discovered quickly in the future.

Management's Response: The School District will implement additional internal control procedures that will ensure timely deposits of investments once they mature.

Status: Management has implemented internal controls procedures to ensure timely deposits and this finding is cleared in the fiscal year ended June 30, 2021.