

Concord Community Schools

Financial Report
With Supplemental Information

Year Ended June 30, 2021

Concord Community Schools

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Separate Cover



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CPAS AND CONSULTANTS

Independent Auditors' Report

Board of Education
Concord Community Schools
Concord, Michigan

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 Concord Community Schools, 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.

Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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 Concord Community 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.

Board of Education
Concord Community Schools

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Concord Community Schools' basic financial statements. The combining nonmajor fund financial statements and the schedule of bonded indebtedness are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report (under separate cover) dated September 20, 2021 on our consideration of Concord Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Concord Community Schools' internal control over financial reporting and compliance.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 20, 2021

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

This section of Concord Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021.

Financial Highlights

- The current year's activity decreased net position by \$26,267, see comparison to prior year on page vi.
- The General Fund's fund balance increased by \$330,336 to \$1,284,383 or approximately 18% of total 2020-21 General Fund expenditures.
- The District participated in the State Aid Note program for the 2020-21 year for cash flow to maintain the current level of services. This will be the case again for the 2021-22 year. See Note 7.
- The taxpayers of the District approved a sinking fund tax levy of 2.0 mills through the 2020-21 school year to make improvements to the school facilities. Some of the improvements include new parking lot lighting, football field lighting, and cabinets and carpet for classrooms. The property tax revenue for the fiscal year restricted to sinking fund capital improvement expenditures totaled approximately \$308,000.
- In accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, an unfunded pension liability has been established through actuarial valuations and will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038. A liability has also been recorded for postemployment benefits other than pensions (OPEB) similar to reporting in regards to pension plans (as per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*). With the recording of these two liabilities, the liabilities of the District exceeded its assets. The balance of the net position at the close of the most recent fiscal year was \$(9,436,130), a negative net position.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant funds – the General Fund and the Food Service Fund. All other funds are presented in one column as non-major funds.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities - One of the most important questions asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to accounting used by private-sector corporations.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

The statement of net position and the statement of activities present information about the following:

Governmental Activities – The Statement of Net Position and Statement of Activities report the governmental activities for the District. These services include instruction, support services, community services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues, (unrestricted and restricted State Aid), and charges for services finance most of these activities. All of the current year's revenues and expenses for these services are taken into consideration regardless of when cash is received or paid.

The Statement of Net Position reports the District's net position, the difference between assets and liabilities. The Statement of Activities reports the District's change in net position, the revenues less expenses for the fiscal year, either as an increase or a decrease, or in other words, the operating results for the year. However, the School District's goal is to provide services to its students, not to generate profits, as private-sector corporations do.

These two statements report the District's net position and changes in net position. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Accounting Manual*.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Fiduciary Funds – The District is the fiduciary for a scholarship fund. We exclude this activity from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary fund is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position and is presented on the full accrual basis of accounting.

The basic fiduciary fund financial statements can be found on pages 7 and 8 of this report.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

Additional Information – The notes to financial statements 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 financial statements can be found on pages 9-27 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net position and changes in net position of the District's governmental activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following is a summary of the School District's net assets as of June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
Assets:		
Current assets	\$ 3,440,519	\$ 3,389,126
Capital assets	8,478,157	8,261,636
Total assets	11,918,676	11,650,762
 Deferred Outflows of Resources	 3,834,799	 4,833,063
Liabilities:		
Current liabilities	1,211,459	1,097,484
Long-term liabilities	21,008,811	21,994,970
Total liabilities	22,220,270	23,092,454
 Deferred Inflows of Resources	 2,969,334	 2,801,234
 Net Position:		
Invested in capital assets - net of related debt	3,032,050	2,388,572
Restricted	118,798	867,800
Unrestricted	(12,586,978)	(12,666,235)
Total net position	\$ (9,436,130)	\$ (9,409,863)

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 4.

A portion of the District's net position, \$3,032,050, reflects an investment in capital assets (i.e. 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 students; 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 to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, \$118,798, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for capital projects. The *unrestricted* balance of net position, \$(12,586,978), which is *negative* net position, is negative primarily due to recording the net pension and OPEB liabilities. The pension and OPEB liabilities at fiscal year-end are expected to be amortized over a 19-year period.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

The results of this year's operations for the School District as a whole are reported in the Statement of Activities which shows the changes in net position for fiscal year 2021. Comparative information for fiscal years 2021 and 2020 follows.

The following is a summary of the change in net position for the years ended June 30, 2021 and 2020.

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 91,929	\$ 354,476
Operating grants	2,968,487	2,428,351
General revenues:		
Property taxes	1,521,731	1,444,254
Grants and state aid	4,673,528	4,636,290
Interest and investment earnings	3,803	25,386
Other	57,378	55,155
Total revenues	9,316,856	8,943,912
Functions/Program Expenses:		
Instruction	4,704,779	4,908,215
Support services	2,742,783	2,678,506
Food service activities	577,311	679,943
Athletic activities	247,159	297,268
Student activities	130,843	142,234
Community service	544	442
Capital outlay	121,957	85,150
Interest on long-term obligations	216,846	232,396
Depreciation (unallocated)	600,901	412,751
Total expenses	9,343,123	9,436,905
Increase (decrease) in net position	(26,267)	(492,993)
Net position beginning of year	(9,409,863)	(8,916,870)
Ending net position	\$ (9,436,130)	\$ (9,409,863)

The District's net position decreased by \$26,267 during the current fiscal year. The decrease in net position coincides with the change in fund balances and a reconciliation appears on page 6.

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

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan law. The most significant budgeted funds are the General Fund and Food Service Fund. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Concord Community Schools
 Management's Discussion and Analysis
 Year Ended June 30, 2021

The General Fund actual revenue and other financing sources were \$7,498,918. That amount is slightly higher than the amended budget estimate of \$7,477,554. The actual expenditures and other financing uses of the General Fund were \$7,168,582, which is less than the amended budget estimate of \$7,173,414.

The General Fund had total revenues of \$7,498,918 and total expenditures of \$7,168,582 with a net increase in fund balance of \$330,336 and ending fund balance of \$1,284,383. This was driven by an increase in federal stimulus dollars from the COVID-19 pandemic, a reduction in staffing, and enrollment calculated based on a super-blend formula of 650 students.

Capital Asset and Debt Administration

Capital Assets – At the end of fiscal year 2021, the School District had \$15,306,467 invested in land, buildings, furniture and equipment, vehicles and buses. On this amount, \$6,828,310 in depreciation has been taken over the years. We currently have a net book value of \$8,478,157.

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 17,500	\$ 17,500
Buildings and improvements	12,285,100	12,285,100
Site improvements	1,437,035	1,189,713
Buses and other vehicles	350,183	350,183
Furniture and equipment	<u>1,216,649</u>	<u>646,549</u>
Total capital assets	15,306,467	14,489,045
Less accumulated depreciation	<u>6,828,310</u>	<u>6,227,409</u>
Net capital assets	<u>\$ 8,478,157</u>	<u>\$ 8,261,636</u>

Major capital asset purchases during the current fiscal year included classroom furniture and fixtures (\$570,000), football lighting improvements (\$220,000), and parking lot lighting restoration (\$27,000).

Long-Term Debt – At June 30, 2021, the District had total bonded debt outstanding of \$5,300,000.

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
2010 Refunding Bonds	\$ 410,000	\$ 800,000
2017 Building & Site Bonds	<u>4,890,000</u>	<u>4,935,000</u>
Total	<u>\$ 5,300,000</u>	<u>\$ 5,735,000</u>

During the current fiscal year, the District's total bonded debt decreased by \$435,000.

Additionally, the District has long-term obligations to pay out compensated absences based upon contract agreements with employees. The amount reported which is an estimate of what is due to applicable employees if their employment ends, totals \$126,000.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

Economic Factors and Next Year's Budgets and Rates

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The unknown financial impact of the continuing COVID-19 pandemic.
- The District will be utilizing the State Aid Note program for the 2021-22 fiscal year. The note is for \$250,000 and is to be paid back via state aid set-asides from the last seven state aid payments. These funds will aid the District for cash flow purposes.

The following assumptions were made in preparing the District's original budgets for the 2021-22 fiscal year:

- Foundation allowance of \$8,211
- Fall Student enrollment of 620
- Potential negotiations increases built in for January 2022.
- Hiring of a Director of Intervention to replace contracted social worker.
- 2 ½ new teaching positions
- Reduction of 1 bus driver and transportation route
- Increase to health insurance and retirement costs

Concord Community Schools is earmarking additional resources to focus on reading proficiency by third grade by continuing the use of a full-time Literacy Intervention Teacher again this year. The Intervention Specialist position has been retained but instead of being contracted by a third party provider this year, the position was brought in-house.

Concord Community Schools wishes to acknowledge the continued support of the community in helping to provide and maintain an updated, safe and appropriate environment that is conducive to learning for students. The Sinking Fund Millage continues to allow the District to address needs that have been pushed aside due to budget constraints, and to make needed improvements to our facilities. Concord Community Schools values its partnership with our parents, staff and our community to provide a quality education for all students.

Requests for Information

This financial report is designed to provide a general overview of the Concord Community Schools' finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Attention: Jennifer Natter
Concord Community Schools
405 S. Main Street
P.O. Box 338
Concord, MI 49237-0338
517.524.8850
517-768-5145
517.524-8613 (FAX)
email: Jennifer.Natter@jcisd.org

Concord Community Schools
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets:	
Cash and investments	\$ 2,181,393
Receivables:	
Accounts receivable	1,376
Due from other governmental units	1,226,076
Inventories	9,625
Prepaid expenses	22,049
Capital assets less accumulated depreciation	8,478,157
Total assets	11,918,676
Deferred Outflows of Resources:	
Bond discount on debt refunding	16,607
Pension related	2,852,625
OPEB related	965,567
Total deferred outflows of resources	3,834,799
Liabilities:	
Accounts payable	67,557
State aid and tax anticipation notes	322,094
Accrued payroll	403,568
Accrued interest on long-term debt	69,800
Unearned revenue	24,400
Other liabilities	324,040
Long-term liabilities:	
Bonds payable, due within one year	460,000
Other obligations, due within one year	19,000
Bonds payable, due in more than one year	4,840,000
Other obligations, due in more than one year	107,000
Net pension liability	13,480,913
Net OPEB liability	2,101,898
Total liabilities	22,220,270
Deferred Inflows of Resources:	
Bond premium on debt issuance	162,714
Pension related	1,058,098
OPEB related	1,748,522
Total deferred inflows of resources	2,969,334
Net Position:	
Net investment in capital assets	3,032,050
Restricted for capital projects	118,798
Unrestricted	(12,586,978)
Total net position	\$ (9,436,130)

See Notes to Financial Statements.

Concord Community Schools

Statement of Activities
Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants/</u>	<u>Net (Expenses)</u>
			<u>Contributions</u>	<u>Revenues and</u>
				<u>Change in</u>
				<u>Net Position</u>
Primary government				
Governmental activities:				
Instruction	\$ 4,704,779	\$ -	\$ 1,731,245	\$ (2,973,534)
Support services	2,742,783	-	386,117	(2,356,666)
Food service activities	577,311	64,592	727,164	214,445
Athletic activities	247,159	27,337	-	(219,822)
Student activities	130,843	-	123,961	(6,882)
Community services	544	-	-	(544)
Capital outlay	121,957	-	-	(121,957)
Interest on long-term debt	216,846	-	-	(216,846)
Depreciation (unallocated)	600,901	-	-	(600,901)
Total governmental activities	<u>\$ 9,343,123</u>	<u>\$ 91,929</u>	<u>\$ 2,968,487</u>	<u>(6,282,707)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				520,850
Property taxes, levied for debt service				692,588
Property taxes, levied for capital projects				308,293
State aid not restricted to specific purposes				4,673,528
Interest and investment earnings				3,803
Other				57,378
Total general revenues				<u>6,256,440</u>
Change in Net Position				(26,267)
Net Position - Beginning of Year				<u>(9,409,863)</u>
Net Position - End of Year				<u>\$ (9,436,130)</u>

See Notes to Financial Statements.

Concord Community Schools
Balance Sheet
Governmental Funds
June 30, 2021

<u>Assets</u>	<u>General</u>	<u>Food Service Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Cash	\$ 484,145	\$ 485,842	\$ 381,053	\$ 1,351,040
Short-term investments	704,845	-	125,508	830,353
Receivables:				
Accounts receivable	1,174	202	-	1,376
Due from other governmental units	1,146,053	80,023	-	1,226,076
Due from other funds	20,115	-	-	20,115
Inventories	-	9,625	-	9,625
Prepaid expenditures	16,874	5,175	-	22,049
Total assets	<u>\$ 2,373,206</u>	<u>\$ 580,867</u>	<u>\$ 506,561</u>	<u>\$ 3,460,634</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 37,036	\$ 22,952	\$ 7,569	\$ 67,557
State aid anticipation notes	322,094	-	-	322,094
Due to other funds	-	1,026	19,089	20,115
Salaries payable	393,294	10,274	-	403,568
Accrued expenditures	230,570	-	-	230,570
Unearned revenue	16,437	7,963	-	24,400
Other liabilities	89,392	4,078	-	93,470
Total liabilities	<u>1,088,823</u>	<u>46,293</u>	<u>26,658</u>	<u>1,161,774</u>
Fund Balances:				
Nonspendable:				
Inventories	-	9,625	-	9,625
Prepaid expenses	16,874	5,175	-	22,049
Restricted:				
Food service	-	519,774	-	519,774
Debt service	-	-	236,681	236,681
Capital expenditures	-	-	118,798	118,798
Student activities	-	-	124,424	124,424
Assigned for subsequent year expenditures	576,119	-	-	576,119
Unassigned	691,390	-	-	691,390
Total fund balances	<u>1,284,383</u>	<u>534,574</u>	<u>479,903</u>	<u>2,298,860</u>
Total liabilities and fund balances	<u>\$ 2,373,206</u>	<u>\$ 580,867</u>	<u>\$ 506,561</u>	<u>\$ 3,460,634</u>

See Notes to Financial Statements.

Concord Community Schools
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2021

Total Fund Balances - Governmental Funds	\$	2,298,860
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in the governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 15,306,467	
Accumulated depreciation is	<u>(6,828,310)</u>	8,478,157
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable	(5,300,000)	
Compensated absences	(126,000)	
Discount on debt refunding	16,607	
Bond premium on debt	<u>(162,714)</u>	(5,572,107)
The pension/OPEB liability and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	(13,480,913)	
Net OPEB liability	(2,101,898)	
Deferred outflows related to pensions	2,852,625	
Deferred outflows related to OPEB	965,567	
Deferred inflows related to pensions	(1,058,098)	
Deferred inflows related to OPEB	<u>(1,748,523)</u>	(14,571,240)
Accrued interest payable on long-term debt is not included as a liability in governmental funds.		<u>(69,800)</u>
Total Net Position - Governmental Activities	\$	<u>(9,436,130)</u>

See Notes to Financial Statements.

Concord Community Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	<u>General</u>	<u>Food Service Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Local sources	\$ 622,278	\$ 25,681	\$ 1,125,060	\$ 1,773,019
State sources	5,925,603	41,669	-	5,967,272
Federal sources	554,196	685,495	-	1,239,691
Interdistrict and other	361,841	51,301	-	413,142
Total revenues	<u>7,463,918</u>	<u>804,146</u>	<u>1,125,060</u>	<u>9,393,124</u>
Expenditures:				
Instruction	4,344,385	-	-	4,344,385
Support services	2,823,653	-	-	2,823,653
Food service activities	-	573,063	-	573,063
Student activities	-	-	130,842	130,842
Community services	544	-	-	544
Capital outlay	-	-	939,379	939,379
Debt service:				
Principal payments	-	-	435,000	435,000
Interest and fiscal charges	-	-	211,740	211,740
Total expenditures	<u>7,168,582</u>	<u>573,063</u>	<u>1,716,961</u>	<u>9,458,606</u>
Revenues Over (Under) Expenditures	<u>295,336</u>	<u>231,083</u>	<u>(591,901)</u>	<u>(65,482)</u>
Other Financing Sources (Uses):				
Operating transfers in	35,000	-	-	35,000
Operating transfers out	-	(35,000)	-	(35,000)
Total other financing sources (uses)	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balance	330,336	196,083	(591,901)	(65,482)
Fund Balances - Beginning of Year	<u>954,047</u>	<u>338,491</u>	<u>1,071,804</u>	<u>2,364,342</u>
Fund Balances - End of Year	<u>\$ 1,284,383</u>	<u>\$ 534,574</u>	<u>\$ 479,903</u>	<u>\$ 2,298,860</u>

See Notes to Financial Statements.

Concord Community Schools

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	(65,482)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (600,901)	
Disposal of assets	-	
Capital outlay	<u>817,422</u>	216,521

Accrued interest on long-term debt is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid. 2,900

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

Repayments:

Principal	435,000	
Amortization of deferred charges	(16,607)	
Amortization of premium on the refunding debt	<u>8,564</u>	426,957

Compensated absences are subject to full accrual in the Statement of Activities, while being recorded when financial resources are used in the governmental funds. 2,000

Governmental funds report the required pension and OPEB contributions for each fiscal year as an expenditure. The Statement of Activities reports the fully accrued pension and OPEB expenses based upon a September year-end to coincide with the State of Michigan's fiscal year.

Changes in pension related liabilities and deferrals	(989,971)	
Changes in OPEB related liabilities and deferrals	<u>380,808</u>	<u>(609,163)</u>

Change in Net Position of Governmental Activities	\$	<u>(26,267)</u>
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Concord Community Schools
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2021

	Private Purpose Trust Fund
Assets:	
Cash and investments	\$ 242,345
Total assets	<u>242,345</u>
Net Position:	
Restricted for special purposes	<u>242,345</u>
Total net position	<u><u>\$ 242,345</u></u>

See Notes to Financial Statements.

Concord Community Schools
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2021

	Private Purpose Trust Fund
Additions:	
Interest and investment earnings	\$ 1,134
Total additions	1,134
Deductions:	
Dues and fees	-
Total deductions	-
Change in Net Position	1,134
Net Position - Beginning of Year	241,211
Net Position - End of Year	\$ 242,345

See Notes to Financial Statements.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Concord Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

All of the School District's government-wide activities are considered governmental activities. The district-wide financial statements as well as the fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position presents all governmental activities on a consolidated basis. The Statement of Net Position reports all assets and liabilities including those of a long-term nature. The net difference is reported as net position. Net position is categorized as net investment in capital assets, restricted net position, and unrestricted net position. It is the District's policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide and Fund Financial Statements (Continued)

Fund-Based Statements – Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements with nonmajor governmental funds aggregated into a single column.

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

Property taxes, unrestricted State Aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure reimbursing grants are recognized when the qualifying expenditures have been incurred, eligibility requirements have been met, and receipt of monies is expected within the current availability period (60 days post year-end). All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund – The General Fund is the School District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Food Service Fund – The Food Service Fund is a special revenue fund used to record revenues and expenditures related specifically to food service activity.

Additionally, the government reports the following fund types:

Capital Project Funds – Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The District maintains the Sinking Fund, which has restricted property taxes as its source of revenue. For this capital project fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95. The District also maintains the Capital Project Fund which is used to record bond proceeds from the 2018 Building and Site Bonds and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. For this capital project fund, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide and Fund Financial Statements (Continued)

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District maintains two special revenue funds: the Food Service Fund (a major fund) and the Student Activities Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures and the disbursements thereof on a particular bond issue. The District maintains the 2010 Refunding Debt Fund and the 2018 Debt Retirement Fund.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the District in a trustee capacity (trust funds) or as an agent (agency funds). Fiduciary Fund net position and results of operations are not included in the district-wide statements. The District maintains a Trust Fund, the Murdock Scholarship Fund, which is a private purpose trust fund maintained to segregate transactions involving scholarship monies and distributions to recipients.

Revenues, Assets, Liabilities, and Net Position or Equity

State Revenue - The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2021, the foundation allowance was based on pupil membership counts.

The State portion of the foundation is provided primarily by a State education property tax millage of six mills on Principal Residence Exemption (PRE) property and an allocated portion of State sales and other taxes. The local portion of the foundation is funded mainly by non-PRE property (non-homestead) taxes which may be levied at a rate of up to 18 mills plus 6 mills on Commercial Personal Property. The State revenue is recognized during the foundation period and is funded through payments from October to August of each year. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The District also receives revenue from the State to administer categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Property Taxes - Property taxes levied by the School District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2021, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund – Non-primary residence	18.0000
General Fund – Commercial personal property	6.0000
Debt Service – all taxable values	4.4000
Sinking Fund – all taxable values	1.9546

Tax abatements provided to property tax payers, if any, were not significant, and thus no disclosure was deemed required in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

Cash and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB professional standards. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds, securities, and other obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, contained in the Michigan Compiled Laws. The District is also authorized to invest in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase, U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Inventories and Prepaid Items – Inventories are valued at cost (purchase price) on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

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

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Site improvements	20 years
Buses and other vehicles	10 years
Furniture and equipment	7 -10 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are reported as a deferred inflow or outflow, separate from assets and liabilities, and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. 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 current period. Debt issued as well as 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.

Deferred Outflows of Resources – This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. For governmental funds, this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide statements, the District currently reports deferred outflows of resources related to deferred pension and OPEB plan expenses which will be expensed in the plan year in which they apply. Also reported are deferred outflows related to bond refunding amounts which are determined based upon the difference in carrying value and the reacquisition costs and are amortized over the life of the related bonds.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Deferred Inflows of Resources – In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflows of resources related to its net pension liability and net OPEB liability including amounts deferred for MPERS Unfunded Actuarial Accrued Liabilities (UAAL) stabilization statutorily required contributions. The pension and OPEB related future resources will be amortized and recognized over a time period established by the actuary and relate to differences between actuarial estimates and actual results. When applicable, bond premiums are amortized over the life of the bonds.

Defined Benefit 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. Related investments are reported at fair value. See Note 10 for detailed information.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public 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. Related investments are reported at fair value. See Note 10 for detailed information.

Fund Balance – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are not in spendable form or are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision making authority (the School Board) through adoption of a resolution and may only be removed by the School Board through a rescindment resolution; *assigned* amounts that have an intended purpose but require no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

Use of Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Concord Community Schools
Notes to Financial Statements

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund and special revenue funds. Annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated at the function level per State law. Violations, if any, for the General Fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2021.

Note 3 – Cash and Investments

At year-end, the School District's cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and investments	\$ 2,181,393	\$ 242,345	\$ 2,423,738

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

Deposits (checking and savings accounts, certificates of deposits)	\$ 2,296,830
Investments in MILAF pooled investment fund (MI Cash Mgmt CLASS)	21,528
Investments in FDIC insured money market deposit accounts	103,980
Petty cash	1,400
Total	\$ 2,423,738

Concord Community Schools
Notes to Financial Statements

Note 3 – Cash and Investments (Continued)

The District holds money market accounts through a custodial relationship with one bank acting as the District's agent to invest amounts in other financial institutions to provide full FDIC coverage. The monies held in this account are subject to six per month withdrawal limitations. There are no other limitations or restrictions on the money market accounts held by the District.

The District holds investments in a pooled Michigan Investment Liquid Asset Fund (MILAF) account which is a qualified local government investment pool for Michigan School Districts and is considered an external investment pool as defined by GASB and as such is recorded at amortized cost which approximates fair value. The District's investments under the interlocal agreement (MILAF – Michigan CLASS) in the amount of \$21,528 are regulated by the Urban Cooperation Act. The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper, and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. There are no limitations or restrictions on withdrawals from the investments held in the MILAF account except for a one-day minimum investment period on the MILAF cash management funds and a fourteen-day redemption limitation on MILAF MAX Class funds.

Investment and Deposit Risk – The District's cash and investments are subject to several types of risk, as noted below.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, approximately \$2,000,000 of the District's uncollateralized bank deposits balance of approximately \$2,500,000 was uninsured.

Custodial Credit Risk – Investments – Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's investment policy does not restrict investment maturities beyond State law.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. See Note 1 for a full description of the allowed investments. The District's investment policy does not further limit its investment choice.

The interlocal agreement (MILAF) is rated AAAM according to Standard and Poor's.

Concentration of Credit Risk – The District's investment policy does not limit investments with individual issuers.

Foreign Currency Risk – The District does not invest in foreign currency and does not maintain a policy regarding foreign currency risk.

Concord Community Schools
Notes to Financial Statements

Note 4 – Receivables

Receivables at year end totaling \$1,226,076 consisted primarily of amounts due from Michigan Department of Education.

Note 5 – Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated:				
Land	\$ 17,500	\$ -	\$ -	\$ 17,500
Total assets not being depreciated	<u>17,500</u>	<u>-</u>	<u>-</u>	<u>17,500</u>
Capital assets beings depreciated:				
Buildings and improvements	12,285,100	-	-	12,285,100
Site improvements	1,189,713	247,322	-	1,437,035
Buses and other vehicles	350,183	-	-	350,183
Furniture and equipment	646,549	570,100	-	1,216,649
Subtotal	<u>14,471,545</u>	<u>817,422</u>	<u>-</u>	<u>15,288,967</u>
Accumulated depreciation:				
Buildings and improvements	5,256,953	407,530	-	5,664,483
Site improvements	423,793	46,793	-	470,586
Buses and other vehicles	332,073	7,244	-	339,317
Furniture and equipment	214,590	139,334	-	353,924
Subtotal	<u>6,227,409</u>	<u>600,901</u>	<u>-</u>	<u>6,828,310</u>
Net capital assets being depreciated	<u>8,244,136</u>	<u>216,521</u>	<u>-</u>	<u>8,460,657</u>
Net capital assets	<u>\$ 8,261,636</u>	<u>\$ 216,521</u>	<u>\$ -</u>	<u>\$ 8,478,157</u>

Depreciation for the fiscal year ended June 30, 2021 totaled \$600,901. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note 6 – Interfund Activity

At year-end, the General Fund was owed \$2,203 from the Student Activity Fund, \$16,886 from the Capital Project Fund, and \$1,026 from the Food Service Fund. All of these amounts were owed for reimbursement of expenditures paid by one fund on behalf of another fund.

The Food Service Fund transferred a net amount of \$35,000 to the General Fund during the year for reimbursement of indirect costs.

Concord Community Schools
Notes to Financial Statements

Note 7 – Notes Payable

The District issued State Aid Anticipation Notes for the school year to allow for needed cash flow prior to receipt of State Aid totaling \$750,000 with \$500,000 borrowed under a set-aside arrangement due in seven increments including interest at 0.70% ranging from \$71,469 to \$72,887 beginning January, 2021 and ending July, 2021 and \$250,000 due in one lump sum on August 20, 2021 plus interest at 0.25%. The State Aid Anticipation Notes are secured by the full faith and credit of the School District as well as pledged State Aid. The notes required payments to an irrevocable set-aside account of \$427,906 in total by June 30, 2021. At year end, the outstanding balance, including interest, totaled \$322,094.

The activity related to State Aid Anticipation Notes for the year is as follows:

<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2021</u>
\$ 57,886	\$ 750,000	\$ 485,792	\$ 322,094

For the fiscal year ended June 30, 2022, the School District issued a State Aid Anticipation Note which totaled \$250,000, with an interest rate of .11% and payments required under a set-aside arrangement due in seven increments of \$35,750 each beginning January, 2022 and ending July, 2022.

Note 8 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and net pension and OPEB liabilities. See Note 10 for further details regarding the net pension and OPEB liabilities.

Long-term obligation activity can be summarized as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within One</u> <u>Year</u>
Governmental Activities:					
Bonds	\$ 5,735,000	\$ -	\$ 435,000	\$ 5,300,000	\$ 460,000
Compensated absences	128,000	-	2,000	126,000	19,000
Total governmental activities	<u>\$ 5,863,000</u>	<u>\$ -</u>	<u>\$ 437,000</u>	<u>\$ 5,426,000</u>	<u>\$ 479,000</u>

Concord Community Schools
Notes to Financial Statements

Note 8 – Long-Term Debt (Continued)

General obligation bonds consist of:

\$3,645,000 serial bonds due in an annual installment of \$410,000 through May 1, 2022; interest at 4.00%	\$ 410,000
\$4,970,000 serial bonds due in annual installments of \$50,000 to \$355,000 through May 1, 2040; interest at 2.00% to 4.00%	<u>4,890,000</u>
Total bonded debt	<u>\$ 5,300,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2022	\$ 460,000	\$ 195,325	\$ 655,325
2023	200,000	177,925	377,925
2024	205,000	171,925	376,925
2025	210,000	165,775	375,775
2026	215,000	159,475	374,475
2027-2031	1,200,000	681,925	1,881,925
2032-2036	1,450,000	424,125	1,874,125
2037-2040	1,360,000	122,375	1,482,375
Total	<u>\$ 5,300,000</u>	<u>\$ 2,098,850</u>	<u>\$ 7,398,850</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of approximately \$237,000 available to pay this debt. Future debt and interest will be payable from future tax levies.

Note 9 – Leases

The District leases a portion of its bus fleet from CH&H Leasing, LLC. The lease runs through the 22/23 school year with annual payments contingent upon how many buses are leased per year. In the 20/21 school year, a total of seven buses were leased, with a total cost of \$102,409. The School is responsible for all insurance, maintenance and operation costs of the leased buses. The lease agreement also calls for mileage charges of 40 cents per mile over an annual 12,000 – 12,500 miles per bus allowance. Minimum required lease payments are expected to be approximately \$103,000 annually for the next two fiscal years.

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions

Organization

Pension/OPEB Plan Description – The School District participates in the Michigan Public School Employees' Retirement System ("MPERS" or "the System"), a State-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees, and covers substantially all employees of the School District. There are currently approximately 700 participating employers in the System which meets the definition of a qualified pension trust fund under Section 401(a) of the Internal Revenue Code. In addition, the System maintains a health plan ("OPEB") which provides postemployment healthcare benefits to all eligible retirees as an elective option including health, prescription drug, dental, and vision coverage.

The System was originally created under Public Act 136 of 1945, recodified, and currently operates under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes a governing board and its 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 is administered by the Office of Retirement Services 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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report and are available on the ORS website at www.michigan.gov/orsschools. Information provided in this report includes financial data, actuarial assumptions data, and detailed information about the pension plan and OPEB plan fiduciary net positions.

Pension 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 upon 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 member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's right 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.

OPEB Benefits Provided – Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008 (Basic, MIP-Fixed, and MIP Graded plan members), the subsidy is the maximum allowed by statute.

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

OPEB Benefits Provided (Continued) - To limit future liabilities of OPEB, 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 MPSERS, who earned service credit in the twelve months ending September 3, 2012 or were on an approved professional service or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Pension/OPEB Plan Contributions – Public Act 300 of 1980, as amended, requires contributions from both the participating employers and the active plan members. The School District, as a participating employer, is required to contribute amounts necessary to finance the coverage of pension and OPEB benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees (plan members) during the year, with an additional amount paid in to finance a portion of the unfunded actuarial accrued liability.

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 will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

Pension Plan Contributions – The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020:

<u>Benefit Type</u>	<u>Member Rates</u>	<u>Status</u>
Basic (Defined Benefit)	0.0% - 4.0%	Closed
MIP (Defined Benefit)	3.0% - 7.0%	Closed
Pension Plus (Hybrid)	3.0% - 6.4%	Closed
Pension Plus 2 (Hybrid)	6.2%	Open
Defined Contribution	0.0%	Open

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

Pension Plan Contributions (Continued) – Employer contributions range from 13.39% to 19.59% and are determined based on employee elections. The District's required and actual contributions to the pension plan for the year ended September 30, 2020 were \$1,078,490. The District's required and actual pension contributions include an allocation of \$433,311 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2020.

OPEB Contributions – OPEB employee contributions in effect for the fiscal year ended September 30, 2020 range from 0% - 3%. Employer contributions range from 7.57% to 8.09% for the plan year ended September 30, 2020 and are determined based on employee elections. Required contributions to the OPEB plan from the District were \$277,202 for the year ended September 30, 2020. The District's required and actual OPEB contributions include an allocation of \$0 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2020.

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

Proportionate Share of School District's Net Pension Liability - At June 30, 2021, the District reported a liability of \$13,480,913 for its proportionate share of the MPSERS net pension liability which totaled \$34,351,087,793 for non-university employers in the MPSERS Plan year ended September 30, 2020. 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 District's proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of statutorily required pension contributions from all applicable employers during the measurement period. At September 30, 2020, the District's proportionate share percent was .03924450 percent, a decrease of .00094479 percent from its proportion measured as of September 30, 2019.

Pension Expense - For the year ended June 30, 2021, the School District's pension expense was \$1,984,484, inclusive of payments to fund the MPSERS UAAL stabilization rate.

Proportionate Share of School District's Net OPEB Liability - At June 30, 2021, the District reported a liability of \$2,101,898 for its proportionate share of the MPSERS net OPEB liability which totaled \$5,357,266,979 for non-university employers in the MPSERS Plan year ended September 30, 2020. 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 District's proportionate share of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of statutorily required OPEB contributions from all applicable employers during the measurement period. At September 30, 2020, the District's proportionate share was .03923452 percent, a decrease of .00009028 percent from its proportion measured as of September 30, 2019.

OPEB Expense - For the year ended June 30, 2021, the School District recognized OPEB benefit of \$107,432.

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

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

Deferred Outflows and Deferred Inflows - At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Pension</u>	<u>OPEB</u>	<u>Pension</u>	<u>OPEB</u>
Difference between expected and actual experience	\$ 205,977	\$ -	\$ 28,773	\$ 1,566,110
Changes of assumptions	1,493,815	693,038	-	-
Net difference between projected and actual earnings on pension/OPEB plan investments	56,641	17,543	-	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	69,313	79	519,783	182,412
School District's contributions subsequent to the measurement date	<u>1,026,879</u>	<u>254,907</u>	<u>509,542</u>	<u>-</u>
Total	<u>\$ 2,852,625</u>	<u>\$ 965,567</u>	<u>\$ 1,058,098</u>	<u>\$ 1,748,522</u>

\$1,026,879 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

\$254,907 reported as deferred outflows of resources related to OPEB resulting from District 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 pensions and OPEB will be recognized in pension/OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Pension</u>	<u>OPEB</u>
2022	\$675,009	\$(281,641)
2023	372,336	(257,208)
2024	170,567	(217,796)
2025	59,278	(168,928)
2026	-	(112,289)

Payables to the Pension/OPEB Plan - The District reported an accrued pension/OPEB plan payable at June 30, 2021 of \$203,093. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2021 but not yet paid. The District is current on all required pension and OPEB plan payments. Amounts accrued at year end include current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State revenue Section 147c restricted to fund the MPSERS unfunded actuarial accrued liability (UAAL).

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions

Actuarial Valuations and 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.

A summary of actuarial assumptions as of the latest actuarial valuation follows:

Valuation date	September 30, 2019
Actuarial cost method	Entry age, normal
Asset valuation method	Fair value
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
OPEB	6.95%, net of investment expenses
Projected salary increases	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	7.00% Year 1 graded to 3.50% Year 15
Cost of living pension adjustments	3.0 % annual non-compounded for MIP members

Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Employee Disabled Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions (OPEB) – applies to individuals hired before September 4, 2012:

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

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Additional assumption information includes the following:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liabilities beginning with the September 30, 2017 valuation. The total pension/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 – 4.4892 for pension plan employers and 5.9870 for OPEB plan employers.
- Recognition period for assets in years is 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/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 pension/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 pension/OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
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	<u>2.0%</u>	(0.1)%
Total	<u>100.0%</u>	

*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 pension/OPEB plan investments, net of pension/OPEB plan investment expense, was 5.37% and 5.24%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - Discount rates of 6.80% and 6.95% were used to measure the total pension and OPEB liabilities, respectively (6.0% for the Pension Plus 2 plan). These discount rates were based on the long-term expected rates of return on pension and OPEB plan investments of 6.80% and 6.95%, respectively (6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates.

Concord Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Discount Rate (Continued) - Based on these assumptions, the pension/OPEB plans' 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/OPEB plan investments was applied to all periods of projected benefits payments to determine the total pension/OPEB liabilities.

Sensitivity 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 a discount rate of 6.80% (6.0% for the Pension Plus 2 Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
<u>\$17,448,755</u>	<u>\$13,480,913</u>	<u>\$10,192,456</u>

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

Sensitivity 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 District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
<u>\$2,700,127</u>	<u>\$2,101,898</u>	<u>\$1,598,239</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the School District's proportionate share of the net OPEB liability calculated using the assumed healthcare cost trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$1,578,955</u>	<u>\$2,101,898</u>	<u>\$2,696,681</u>

Concord Community Schools
Notes to Financial Statements

Note 11 – Risk Management

The School District is exposed to various risks of loss-related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring all covered risks of loss, including employee health and accident insurance, workers' disability compensation, property and casual, errors and omissions, and fleet. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

COVID-19 Considerations – The continuing pandemic, both in the U.S. and globally in regards to the outbreak of the coronavirus (COVID-19), has made evaluation of the future uncertain. Areas that may be affected by the change in daily lives and work include investment values, levels of sales and services, availability of cash, supply chains, etc. As a result, funding to schools from the State and federal governments is subject to risk and potential change. Because of the uncertainty of the full impact, no amounts can be estimated and have not been reflected in these financial statements.

Note 12 – Federal and State Grants

The District has received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 13 – Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases*, was issued by the Governmental Accounting Standards Board to increase the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities that currently are not reported as such. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model based on the premise that leases are financings of the right to use the underlying asset. The Statement also addresses standards for note disclosures to include information regarding the timing, significance, and purpose of a government's leasing arrangements. Statement No. 87 will be effective for the District's fiscal year ending June 30, 2022.

Required Supplementary Information

Concord Community Schools
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Local sources	\$ 601,959	\$ 618,012	\$ 622,278
State sources	5,327,683	5,899,237	5,925,603
Federal sources	203,261	572,220	554,196
Interdistrict and other	352,848	353,085	361,841
Total revenues	<u>6,485,751</u>	<u>7,442,554</u>	<u>7,463,918</u>
Expenditures:			
Instruction:			
Basic programs	3,167,424	3,328,307	3,344,180
Added needs	1,130,826	1,004,362	1,000,205
Support services:			
Pupil	177,499	172,229	172,303
Instructional staff	129,019	291,071	276,427
School administration	297,846	288,325	289,776
Building administration	472,652	468,075	463,761
Business	129,193	125,200	123,505
Operation and maintenance	691,211	818,118	819,403
Pupil transportation	393,837	391,803	387,176
Information management services	61,588	71,745	71,772
Athletics	265,134	213,665	219,530
Community and welfare services	800	514	544
Total expenditures	<u>6,917,029</u>	<u>7,173,414</u>	<u>7,168,582</u>
Revenues Over (Under) Expenditures	<u>(431,278)</u>	<u>269,140</u>	<u>295,336</u>
Other Financing Sources (Uses):			
Operating transfers in	35,000	35,000	35,000
Operating transfers out	(380)	-	-
Total other financing sources (uses)	<u>34,620</u>	<u>35,000</u>	<u>35,000</u>
Net Changes in Fund Balances	(396,658)	304,140	330,336
Fund Balances - Beginning of Year	<u>954,047</u>	<u>954,047</u>	<u>954,047</u>
Fund Balances - End of Year	<u>\$ 557,389</u>	<u>\$ 1,258,187</u>	<u>\$ 1,284,383</u>

Concord Community Schools
 Budgetary Comparison Schedule - Food Service Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Local sources	\$ 132,800	\$ 23,470	\$ 25,681
State sources	11,920	31,700	41,669
Federal sources	295,000	656,570	685,495
Interdistrict and other	84,000	51,680	51,301
Total revenues	<u>523,720</u>	<u>763,420</u>	<u>804,146</u>
Expenditures:			
Food services	541,741	578,066	573,063
Capital outlay	-	-	-
Total expenditures	<u>541,741</u>	<u>578,066</u>	<u>573,063</u>
Revenues Over (Under) Expenditures	<u>(18,021)</u>	<u>185,354</u>	<u>231,083</u>
Other Financing Sources (Uses):			
Operating transfers in	-	-	-
Operating transfers out	(35,000)	(35,000)	(35,000)
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>
Net Changes in Fund Balances	(53,021)	150,354	196,083
Fund Balances - Beginning of Year	<u>338,491</u>	<u>338,491</u>	<u>338,491</u>
Fund Balances - End of Year	<u><u>\$ 285,470</u></u>	<u><u>\$ 488,845</u></u>	<u><u>\$ 534,574</u></u>

Concord Community Schools

Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan
Last Seven Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability (%)	<u>0.03924450%</u>	<u>0.04018927%</u>	<u>0.04211777%</u>	<u>0.04216185%</u>	<u>0.03963498%</u>	<u>0.03762482%</u>	<u>0.04093000%</u>
District's proportionate share of net pension liability	<u>\$ 13,480,913</u>	<u>\$ 13,309,335</u>	<u>\$ 12,661,362</u>	<u>\$ 10,925,928</u>	<u>\$ 9,888,603</u>	<u>\$ 9,189,872</u>	<u>\$ 9,015,307</u>
District's covered payroll	<u>\$ 3,476,075</u>	<u>\$ 3,438,151</u>	<u>\$ 3,570,635</u>	<u>\$ 3,604,066</u>	<u>\$ 3,434,863</u>	<u>\$ 3,319,381</u>	<u>\$ 3,616,669</u>
District's proportionate share of net pension liability as a percentage of its covered payroll	<u>387.82%</u>	<u>387.11%</u>	<u>354.60%</u>	<u>303.16%</u>	<u>287.89%</u>	<u>276.86%</u>	<u>249.27%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>59.72%</u>	<u>60.31%</u>	<u>62.36%</u>	<u>64.21%</u>	<u>63.27%</u>	<u>63.17%</u>	<u>66.20%</u>

Concord Community Schools
Schedule of the District's Pension Contributions to the MPSERS Plan
Last Seven Fiscal Years (Amounts Determined Each Year as of June 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 1,078,490	\$ 1,067,644	\$ 1,025,905	\$ 1,086,372	\$ 987,951	\$ 877,263	\$ 708,840
Pension contributions in relation to statutorily required contributions	<u>1,078,490</u>	<u>1,067,644</u>	<u>1,025,905</u>	<u>1,086,372</u>	<u>987,951</u>	<u>877,263</u>	<u>708,840</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 3,372,226</u>	<u>\$ 3,626,830</u>	<u>\$ 3,424,489</u>	<u>\$ 3,557,106</u>	<u>\$ 3,733,616</u>	<u>\$ 3,294,426</u>	<u>\$ 3,395,027</u>
Pension contributions as a percentage of covered payroll	<u>31.98%</u>	<u>29.44%</u>	<u>29.96%</u>	<u>30.54%</u>	<u>26.46%</u>	<u>26.63%</u>	<u>20.88%</u>

Concord Community Schools

Schedule of the District's Proportionate Share of the Net OPEB Liability of the MPERS Plan
Last Four Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (%)	<u>0.03923452%</u>	<u>0.03932480%</u>	<u>0.04193392%</u>	<u>0.04215093%</u>
District's proportionate share of net OPEB liability	<u>\$ 2,101,898</u>	<u>\$ 2,822,635</u>	<u>\$ 3,333,307</u>	<u>\$ 3,732,663</u>
District's covered payroll	<u>\$ 3,476,075</u>	<u>\$ 3,438,151</u>	<u>\$ 3,570,635</u>	<u>\$ 3,604,066</u>
District's proportionate share of net OPEB liability as a percentage of its covered payroll	<u>60.47%</u>	<u>82.10%</u>	<u>93.35%</u>	<u>103.57%</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>59.44%</u>	<u>48.46%</u>	<u>42.95%</u>	<u>36.39%</u>

Concord Community Schools

Schedule of the District's OPEB Contributions to the MPSERS Plan
Last Four Fiscal Years (Amounts Determined Each Year as of June 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 277,202	\$ 270,007	\$ 266,878	\$ 251,928
OPEB contributions in relation to statutorily required contributions	<u>277,202</u>	<u>270,007</u>	<u>266,878</u>	<u>251,928</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 3,372,226</u>	<u>\$ 3,626,830</u>	<u>\$ 3,424,489</u>	<u>\$ 3,557,106</u>
OPEB contributions as a percentage of covered payroll	<u>8.22%</u>	<u>7.44%</u>	<u>7.79%</u>	<u>7.08%</u>

Concord Community Schools

Notes to Required Supplementary Information Pension and OPEB Schedules
Year Ended June 30, 2021

Changes of Benefit Terms: There were no changes of benefit terms in fiscal year 2020.

Changes of Assumptions: For the State's fiscal year ended September 30, 2020:

The investment rate of return for Pension Plus 2 Plans changed from 6.80% to 6.00%, net of investment expenses.

The healthcare cost trend rate was 7.5% Year 1 graded to 3.50% Year 12. This changed to 7.00% Year 1 graded to 3.50% Year 15.

The recognition period for liabilities, an average of the expected remaining service lives of all employees, changed to 4.4892 from 4.4977 for pension plan employers and to 5.9870 from 5.7101 for OPEB plan employers.

Other Supplementary Information

Concord Community Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	<u>Capital Project Fund</u>	<u>Student Activities Fund</u>	<u>2010 Refunding Debt Fund</u>	<u>2018 Debt Retirement Fund</u>	<u>Sinking Fund</u>	<u>Total</u>
<u>Assets</u>						
Cash	\$ 10,176	\$ 134,196	\$ 115,034	\$ 121,647	\$ -	\$ 381,053
Short-term investments	<u>21,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,980</u>	<u>125,508</u>
Total assets	<u>\$ 31,704</u>	<u>\$ 134,196</u>	<u>\$ 115,034</u>	<u>\$ 121,647</u>	<u>\$ 103,980</u>	<u>\$ 506,561</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ -	\$ 7,569	\$ -	\$ -	\$ -	\$ 7,569
Due to other funds	<u>16,886</u>	<u>2,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,089</u>
Total liabilities	<u>16,886</u>	<u>9,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,658</u>
Fund balances:						
Restricted	<u>14,818</u>	<u>124,424</u>	<u>115,034</u>	<u>121,647</u>	<u>103,980</u>	<u>479,903</u>
Total fund balances	<u>14,818</u>	<u>124,424</u>	<u>115,034</u>	<u>121,647</u>	<u>103,980</u>	<u>479,903</u>
Total liabilities and fund balances	<u>\$ 31,704</u>	<u>\$ 134,196</u>	<u>\$ 115,034</u>	<u>\$ 121,647</u>	<u>\$ 103,980</u>	<u>\$ 506,561</u>

Concord Community Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021

	<u>Capital Project Fund</u>	<u>Student Activities Fund</u>	<u>2010 Refunding Debt Fund</u>	<u>2018 Debt Retirement Fund</u>	<u>Sinking Fund</u>	<u>Total</u>
Revenues:						
Local sources	\$ 90	\$ 123,961	\$ 464,573	\$ 228,052	\$ 308,384	\$ 1,125,060
Total revenues	<u>90</u>	<u>123,961</u>	<u>464,573</u>	<u>228,052</u>	<u>308,384</u>	<u>1,125,060</u>
Expenditures:						
Student activities	-	130,842	-	-	-	130,842
Debt service	-	-	421,503	225,237	-	646,740
Capital outlay	636,387	-	-	-	302,992	939,379
Total expenditures	<u>636,387</u>	<u>130,842</u>	<u>421,503</u>	<u>225,237</u>	<u>302,992</u>	<u>1,716,961</u>
Net Changes in Fund Balances	(636,297)	(6,881)	43,070	2,815	5,392	(591,901)
Fund Balances - Beginning of Year	<u>651,115</u>	<u>131,305</u>	<u>71,964</u>	<u>118,832</u>	<u>98,588</u>	<u>1,071,804</u>
Fund Balances - End of Year	<u>\$ 14,818</u>	<u>\$ 124,424</u>	<u>\$ 115,034</u>	<u>\$ 121,647</u>	<u>\$ 103,980</u>	<u>\$ 479,903</u>

Concord Community Schools
 Schedule of Bonded Indebtness
 June 30, 2021

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Fiscal Year Interest Requirements</u>	<u>Amount of Annual Maturity</u>	<u>Bonds Outstanding June 30, 2021</u>
2010 Refunding Bonds	December 9, 2010	\$ 3,645,000	4.000%	5/1/2022	\$ 16,400	\$ 410,000	\$ 410,000
							<u>\$ 410,000</u>

Concord Community Schools
Schedule of Bonded Indebtness (Continued)
June 30, 2021

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Fiscal Year Interest Requirements</u>	<u>Amount of Annual Maturity</u>	<u>Bonds Outstanding June 30, 2021</u>
2018 School Building & Site Bonds	February 16, 2018	\$ 4,970,000	2.000%	5/1/2022	\$ 178,925	\$ 50,000	\$ 50,000
			3.000%	5/1/2023	177,925	200,000	200,000
			3.000%	5/1/2024	171,925	205,000	205,000
			3.000%	5/1/2025	165,775	210,000	210,000
			3.000%	5/1/2026	159,475	215,000	215,000
			3.000%	5/1/2027	153,025	220,000	220,000
			4.000%	5/1/2028	146,425	230,000	230,000
			4.000%	5/1/2029	137,225	240,000	240,000
			4.000%	5/1/2030	127,625	250,000	250,000
			4.000%	5/1/2031	117,625	260,000	260,000
			4.000%	5/1/2032	107,225	270,000	270,000
			4.000%	5/1/2033	96,425	280,000	280,000
			4.000%	5/1/2034	85,225	290,000	290,000
			4.000%	5/1/2035	73,625	300,000	300,000
			4.000%	5/1/2036	61,625	310,000	310,000
			4.000%	5/1/2037	49,225	325,000	325,000
			3.500%	5/1/2038	36,225	335,000	335,000
			3.500%	5/1/2039	24,500	345,000	345,000
			3.500%	5/1/2040	12,425	355,000	355,000
							<u>\$ 4,890,000</u>

Concord Community Schools

Single Audit Report

Year Ended June 30, 2021

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WILLIS & JURASEK
CPAS AND CONSULTANTS

**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
Concord Community Schools
Concord, Michigan

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Concord Community Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Concord Community Schools' basic financial statements, and have issued our report thereon dated September 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Concord Community Schools' internal control over financial reporting (internal control) as a basis for designing 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 Concord Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Concord Community Schools' internal control.

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

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

Board of Education
Concord Community Schools
Concord, Michigan

Compliance and Other Matters

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

Purpose of this Report

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

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 20, 2021



WILLIS & JURASEK
CPAS AND CONSULTANTS

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education
Concord Community Schools
Concord, Michigan

Report on Compliance for Each Major Federal Program

We have audited Concord Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Concord Community Schools' major federal programs for the year ended June 30, 2021. Concord Community Schools' major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Concord Community 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 Concord Community Schools 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 Concord Community Schools' 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 Concord Community Schools' internal control over compliance.

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Concord Community Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Concord Community Schools' basic financial statements. We issued our report thereon dated September 20, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Education
Concord Community Schools
Concord, Michigan

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.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 20, 2021

Concord Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Award/Grant Entitlement Program Amount</u>	<u>Accrued (Deferred) Revenue 7/1/2020</u>	<u>Prior Year Expenditures (Memorandum Only)</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2021</u>
<u>U.S. Department of Agriculture</u>								
Child Nutrition Cluster:								
Passed through MI Department of Education:								
Non-cash Assistance (Commodities):								
National School Lunch Program - Regular	10.555		\$ 33,341	\$ -	\$ -	\$ 33,341	\$ 33,341	\$ -
National School Lunch Program - Bonus	10.555		803	-	-	803	803	-
			<u>34,144</u>	<u>-</u>	<u>-</u>	<u>34,144</u>	<u>34,144</u>	<u>-</u>
Cash Assistance:								
COVID-19 National School Lunch Program	10.555	200902/201920	507,777	140,590	507,777	140,590	-	-
			<u>507,777</u>	<u>140,590</u>	<u>507,777</u>	<u>140,590</u>	<u>-</u>	<u>-</u>
Total National School Lunch Program	10.555		<u>541,921</u>	<u>140,590</u>	<u>507,777</u>	<u>174,734</u>	<u>34,144</u>	<u>-</u>
COVID-19 Summer Food Service Program	10.559	200900 210904	206,324	-	-	206,324	206,324	-
			443,239	-	-	366,950	443,239	76,289
			<u>649,563</u>	<u>-</u>	<u>-</u>	<u>573,274</u>	<u>649,563</u>	<u>76,289</u>
Total Cash Assistance			<u>1,157,340</u>	<u>140,590</u>	<u>507,777</u>	<u>713,864</u>	<u>649,563</u>	<u>76,289</u>
Total Child Nutrition Cluster			<u>1,191,484</u>	<u>140,590</u>	<u>507,777</u>	<u>748,008</u>	<u>683,707</u>	<u>76,289</u>
Child and Adult Care Food Program	10.558	201920 202010 211920	21,916	-	21,916	-	-	-
			5,765	1,795	5,765	1,795	-	-
			1,788	-	-	1,711	1,788	77
			<u>29,469</u>	<u>1,795</u>	<u>27,681</u>	<u>3,506</u>	<u>1,788</u>	<u>77</u>
Total U.S. Department of Agriculture			<u>1,220,953</u>	<u>142,385</u>	<u>535,458</u>	<u>751,514</u>	<u>685,495</u>	<u>76,366</u>
Passed through MI Department of Education:								
Title I Grants to Local Educational Agencies	84.010	201530-1920 211530-2021	81,248	12,839	80,748	13,339	500	-
			99,607	-	-	92,168	99,156	6,988
			<u>180,855</u>	<u>12,839</u>	<u>80,748</u>	<u>105,507</u>	<u>99,656</u>	<u>6,988</u>

Concord Community Schools
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Award/Grant Entitlement Program Amount</u>	<u>Accrued (Deferred) Revenue 7/1/2020</u>	<u>Prior Year Expenditures (Memorandum Only)</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2021</u>
U.S. Department of Education (Continued):								
Passed through MI Department of Education:								
Supporting Effective Instruction State Grants	84.367	200520-1920 210520-2021	23,205 <u>23,502</u> <u>46,707</u>	8,157 - <u>8,157</u>	22,786 - <u>22,786</u>	8,576 <u>16,955</u> <u>25,531</u>	419 <u>21,859</u> <u>22,278</u>	- <u>4,904</u> <u>4,904</u>
Student Support and Academic Achievement	84.424A	200750-1920 210750-2021	10,000 <u>10,600</u> <u>20,600</u>	1,012 - <u>1,012</u>	10,000 - <u>10,000</u>	1,012 <u>10,600</u> <u>11,612</u>	- <u>10,600</u> <u>10,600</u>	- - -
Education Stabilization Fund								
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C		41,749	-	-	31,395	41,749	10,354
COVID-19 Governor's Emergency Education Relief Fund (ESSER I)	84.425D		77,486	-	-	77,486	77,486	-
COVID-19 Governor's Emergency Education Relief Fund (ESSER II)	84.425D		<u>126,510</u>	-	-	-	<u>35,117</u>	<u>35,117</u>
			<u>245,745</u>	-	-	<u>108,881</u>	<u>154,352</u>	<u>45,471</u>
Total passed through MI Department of Education			<u>493,907</u>	<u>22,008</u>	<u>113,534</u>	<u>251,531</u>	<u>286,886</u>	<u>57,363</u>
Passed through Jackson County ISD:								
Homeless Students Assistance Grant	84.196		<u>951</u>	<u>387</u>	-	<u>951</u>	<u>564</u>	-
Total U.S. Department of Education			<u>494,858</u>	<u>22,395</u>	<u>113,534</u>	<u>252,482</u>	<u>287,450</u>	<u>57,363</u>

Concord Community Schools
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Award/Grant Entitlement Program Amount</u>	<u>Accrued (Deferred) Revenue 7/1/2020</u>	<u>Prior Year Expenditures (Memorandum Only)</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2021</u>
<u>U.S. Department of Health and Human Services:</u>								
Passed through Jackson County ISD:								
Project AWARE	93.243		2,602	2,602	2,602	2,602	-	-
Medicaid Outreach	93.778	2020-2021	1,428	-	-	1,428	1,428	-
Total U.S. Department of Health and Human Services			<u>4,030</u>	<u>2,602</u>	<u>2,602</u>	<u>4,030</u>	<u>1,428</u>	-
<u>U.S. Department of Treasury</u>								
Passed through Michigan Department of Education:								
COVID-19 Coronavirus Relief Funds	21.019	11(p)	229,863	-	-	229,863	229,863	-
COVID-19 Coronavirus Relief Funds	21.019	103(2)	8,091	-	-	8,091	8,091	-
Total Passed through Michigan Department of Education			<u>237,954</u>	-	-	<u>237,954</u>	<u>237,954</u>	-
Passed through MAISA/Copper County ISD:								
COVID-19 Coronavirus Relief Funds - MiConnect Connectivity Funding	21.019		27,365	-	-	27,365	27,365	-
Total CFDA #21.019			<u>265,319</u>	-	-	<u>265,319</u>	<u>265,319</u>	-
Total U.S. Department of Treasury			<u>265,319</u>	-	-	<u>265,319</u>	<u>265,319</u>	-
			<u>\$ 1,985,160</u>	<u>\$ 167,382</u>	<u>\$ 651,594</u>	<u>\$ 1,273,345</u>	<u>\$ 1,239,691</u>	<u>\$ 133,729</u>

Concord Community Schools
Schedule of Reconciliation of Revenues with
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

	<u>Amount</u>
Revenue from federal sources - per financial statements (includes all funds)	\$ <u>1,239,691</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u>1,239,691</u>

Concord Community Schools
Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Concord Community Schools (the "District") under programs of the federal government for the year ended June 30, 2021. 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenue is recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports with any reconciling items noted on page 8. The amounts on the Grant Auditor Report reconcile with this schedule. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities and the expenditures include any spoilage or pilferage.

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by Section 200.414 of the Uniform Guidance.

Note 3 – Subrecipients

No federal awards were passed through the District to any subrecipients during the year.

Concord Community Schools
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	_____ yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u> X </u> none reported
Noncompliance material to financial statements noted	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs:	
Material weakness identified	_____ yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u> X </u> none reported

Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes <u> X </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 750,000 </u>
Auditee qualified as low-risk	_____ yes <u> X </u> no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Concord Community Schools
Comments on Resolution of Findings from June 30, 2020
Single Audit Report

Financial Statement Findings

2020-002 Budget Overage

Criteria or Specific Requirement: According to the Uniform Budgeting and Accounting Act, the District may not expend more than the budget adopted by the governing body.

Condition: Both the General Fund and the Food Service Fund had actual expenditures that exceeded the approved budget as noted in the required supplementary information.

Recommendation: We recommend the District review budget procedures to ensure the budget is amended as needed for anticipated expenditures.

Status: As shown in the supplementary information, total expenditures were within the approved amount.

Federal Award Findings and Questioned Costs

2020-001 – Internal Control over Compliance

Criteria or Specific Requirement: Management is responsible for having controls in place over compliance to ensure the District complies with grant requirements.

Condition: During our testing we noted a lack of review over cash management and reporting functions. These tasks are completed by the food service manager without an independent review.

Effect: Our tests of compliance did not result in compliance findings, but lack of control over this area could result in a potential noncompliance with grant requirements.

Recommendation: We recommend the District review federal guidelines and their internal policies, modifying as necessary to include adequate control functions.

Status: This finding has been corrected for the 20/21 fiscal year.



September 20, 2021

To the Board of Education
Concord Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Concord Community Schools for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the *Uniform Guidance*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Concord Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management has estimated the value of capitalized assets and the related accumulated depreciation. Much of the estimate of fixed asset balances was established based upon an appraisal performed in a prior year. The corresponding depreciation is based on estimated lives and use of those respective assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements contain estimates for the net pension liability and the net OPEB liability and related deferred inflows and deferred outflows of resources. This information has been provided by ORS to all school districts participating in the MPSEERS program. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Management has also estimated the liability for employee compensated absences. We have evaluated the key factors and assumptions used to develop the liability for compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

To the Board of Education
Concord Community Schools

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as per the auditors' report.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Budgetary Comparison Schedules, and the schedules related to the net pension liability and the net OPEB liability, and the related notes, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

To the Board of Education
Concord Community Schools

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Concord Community Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.