Burr Oak Community School District

Saint Joseph County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Burr Oak Community School District

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 the Burr Oak Community School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the Burr Oak Community School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 12 to the basic financial statements, the District adopted GASB Statement No. 84 *Fiduciary Activities* in fiscal year 2021, which represents a change in its policy for reporting fiduciary activities. Our opinions are not modified with respect to this matter.

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

Supplementary information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Burr Oak Community School District's basic financial statements. The combining fiduciary funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statement of fiduciary net position and combining statement of changes in fiduciary net position for the private-purpose trust funds (supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021, on our consideration of the Burr Oak Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Burr Oak Community School District's internal control over financial reporting and compliance.

Siegfried Crandall P.C.

October 5, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Burr Oak Community School District's (the District) financial performance provides a narrative overview of the District's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position increased $578,504 (18.75 percent) as a result of this year's operations.
- Total net position at the end of the fiscal year was a deficit of $2,507,211. However, $843,352 of this total is invested in capital assets, and $375,768 is restricted for capital purchases and food service. Consequently, the District has an unrestricted net position deficit of $3,726,331.
- The General Fund's unassigned fund balance at the end of the fiscal year was $1,472,600 which represents 54 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The District's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for fiduciary funds. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements.
  - Governmental funds statements explain how government services, like instruction and supporting services, were financed in the short-term, as well as what remains for future spending.
  - Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a custodian for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2021 and 2020 is also presented.

Government-wide statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors, such as changes in the condition of the District's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with schools (e.g., instruction, food service, and athletics). Intergovernmental revenues and property taxes finance these activities.

Fund financial statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has two types of funds:

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

- *Fiduciary funds*. The District is the trustee, or custodian, for certain assets that, because of a trust arrangement, can only be used for the trust beneficiaries. The District is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

Total net position deficit at the end of the fiscal year was $2,507,211, which is smaller than the deficit reported at June 30, 2021 of $3,085,715 (a decrease of 8.8 percent). Of this total, $843,352 is invested in capital assets and $375,768 is restricted for capital purchases and food services. Consequently, unrestricted net position was a deficit of $3,726,331.

Condensed financial information
Net position

	2021	2020
Current assets	**$ 2,149,075**	$ 1,530,588
Capital assets	**843,352**	671,262
Total assets	**2,992,427**	2,201,850
Deferred outflows of resources	**1,130,885**	1,507,763
Current and other liabilities	**5,808,998**	6,127,940
Deferred inflows of resources	**821,525**	667,388
Net position:		
Investment in capital assets	**843,352**	671,262
Restricted	**375,768**	327,591
Unrestricted (deficit)	**(3,726,331)**	(4,084,568)
Total net position (deficit)	**$ (2,507,211)**	$ (3,085,715)

Changes in net position

The District's total revenues are $3,566,735, with 58 percent coming from unrestricted state aid. The total cost of the District's programs amounted to $2,988,231.

Condensed financial information
Changes in net position

	2021	*2020*
Program revenues:		
Charges for services	**$ 57,279**	$ 41,093
Operating grants	**1,041,884**	844,071
Capital grants	**4,000**	-
General revenues:		
Unrestricted state aid	**2,069,106**	1,931,152
Property taxes	**391,153**	386,600
Other	**3,313**	11,276
Total revenues	**3,566,735**	3,214,192
Expenses:		
Instruction	**1,858,026**	2,107,590
Supporting services	**983,162**	1,120,205
Food service	**147,043**	140,606
Total expenses	**2,988,231**	3,368,401
Changes in net position	**578,504**	(154,209)
Net position (deficit), end of year	**$ (2,507,211)**	$ (3,085,715)

Governmental activities
Governmental activities increased the District's net position by $578,504 compared to a $154,209 decrease in the prior year. The increase was primarily due to an increase in operating grants and unrestricted state aid in the amount of $197,813 and $137,954, respectively, and decreases in instruction and supporting service costs in the current fiscal year totaling $386,588.

The total cost of governmental activities this year was $2,988,231. After subtracting the direct charges to those who directly benefited from the programs ($57,279) and operating and capital grants ($1,045,884), the "public benefit" portion covered by state aid, property taxes, and other general revenues was $1,885,068.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of June 30, 2021, the District's governmental funds reported a combined fund balance of $1,878,176, an increase of $588,179 in comparison with the prior year. Of this balance, $29,808 is nonspendable, as it relates to inventory and prepaids, $375,768 is restricted for capital purchase and food services. The remaining $1,472,600 is unassigned and available to be spent at the Board's discretion.

The General Fund is the primary operating fund of the District. At the end of the fiscal year, its fund balance was $1,500,480, an increase of $539,755, as revenues of $3,242,792 and a transfer in of $5,000 exceeded expenditures of $2,708,037.

The Capital Sinking Fund, a capital project fund, had a restricted fund balance of $298,154, an increase of $39,603, as tax revenues of $139,070 were greater than expenditures of $99,467 during the current fiscal year.

General Fund budgetary highlights

Total budgeted expenditures were increased by $71,145 during the year to reflect anticipated increases in various activities. Revenues were $45,918 less than expected, while expenditures were $208,929 less than the amounts appropriated. These variances resulted in a $163,011 positive budget variance, with a $539,755 increase in fund balance compared to a budget that anticipated a $376,744 increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's investment in capital assets at June 30, 2021, amounts to $843,352 (net of accumulated depreciation). This investment includes a broad range of assets. The net increase in the District's net investment in capital assets for the current fiscal year was $172,090, as additions of $259,430 were higher than depreciation of $87,340. The major capital asset events during the current fiscal year included a bus purchase of $64,000 and the purchase of equipment for $171,586.

More detailed information about the District's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

The District had no long-term debt at the beginning or end of the current fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budget for the next year projects reductions in state aid. The District has maintained a fund balance that is sufficient to offset the anticipated losses in revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances to those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2021

	Governmental activities
ASSETS	
Current assets:	
Cash	$ 1,533,908
Receivables	585,359
Prepaid expenses	22,880
Inventories	6,928
Total current assets	2,149,075
Noncurrent assets - capital assets, net of accumulated depreciation	843,352
Total assets	2,992,427
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	796,632
OPEB plan	334,253
Total deferred outflows of resources	1,130,885
LIABILITIES	
Current liabilities:	
Payables	238,028
Unearned operating grant revenues	32,871
Total current liabilities	270,899
Noncurrent liabilities:	
Net pension obligation	4,798,002
Net OPEB obligation	740,097
Total noncurrent liabilities	5,538,099
Total liabilities	5,808,998
DEFERRED INFLOWS OF RESOURCES	
Pension plan	184,491
OPEB plan	637,034
Total deferred inflows of resources	821,525
NET POSITION	
Investment in capital assets	843,352
Restricted for:	
Capital purchases	298,154
Food services	77,614
Unrestricted (deficit)	(3,726,331)
Total net position	$ (2,507,211)

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

		Program revenues			Net (expenses) revenues and change in net position
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
Functions/Programs					
Governmental activities:					
Instruction	$ 1,858,026	$ 48,424	$ 854,755	$ -	$ (954,847)
Supporting services	983,162	8,499	2,612	4,000	(968,051)
Food service	147,043	356	184,517	-	37,830
Total governmental activities	$ 2,988,231	$ 57,279	$ 1,041,884	$ 4,000	(1,885,068)
General revenues:					
State aid not restricted to specific purposes					2,069,106
Property taxes					391,153
Other					3,313
Total general revenues					2,463,572
Change in net position					578,504
Net position - beginning (deficit)					(3,085,715)
Net position - ending (deficit)					$ (2,507,211)

See notes to financial statements

BALANCE SHEET - *governmental funds*

June 30, 2021

	General	*Capital Sinking*	*Nonmajor fund*	*Total governmental funds*
ASSETS				
Cash	$ 1,183,924	$ 298,154	$ 51,830	$ 1,533,908
Receivables	558,532	-	26,827	585,359
Prepaid expenditures	22,880	-	-	22,880
Inventories	5,000	-	1,928	6,928
Total assets	$ 1,770,336	$ 298,154	$ 80,585	$ 2,149,075
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	$ 236,985	$ -	$ 1,043	$ 238,028
Unearned operational grant revenues	32,871	-	-	32,871
Total liabilities	269,856	-	1,043	270,899
Fund balances:				
Nonspendable:				
Inventories	5,000	-	1,928	6,928
Prepaids	22,880	-	-	22,880
Restricted for:				
Capital purchases	-	298,154	-	298,154
Food services	-	-	77,614	77,614
Unassigned	1,472,600	-	-	1,472,600
Total fund balances	1,500,480	298,154	79,542	1,878,176
Total liabilities and fund balances	$ 1,770,336	$ 298,154	$ 80,585	$ 2,149,075

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds	$ 1,878,176
Amounts reported for *governmental activities* in the statement of net position (page 10) are different because:	
Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.	843,352
Net liabilities that are not due and payable in the current period and are not reported in the funds:	
Pension	(4,798,002)
OPEB	(740,097)
Certain contributions and changes in the net liability are reported as deferred outflows of resources in the statement of net position but are not reported as expenditures in the governmental funds:	
Pension	796,632
OPEB	334,253
Net difference between projected and actual earnings on plan investments are reported as deferred inflows of resources and is not reported in the funds:	
Pension	(184,491)
OPEB	(637,034)
Net position (deficit) of *governmental activities*	$ (2,507,211)

See notes to financial statements

Burr Oak Community School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds*

Year ended June 30, 2021

	General	*Capital Sinking*	*Nonmajor fund*	*Total governmental funds*
REVENUES				
Local sources:				
Property taxes	$ 252,083	$ 139,070	$ -	$ 391,153
Food service	-	-	356	356
Athletic receipts	8,499	-	-	8,499
Other	58,349	-	-	58,349
State sources	2,559,906	-	11,337	2,571,243
Federal sources	363,955	-	173,180	537,135
Total revenues	3,242,792	139,070	184,873	3,566,735
EXPENDITURES				
Current:				
Instruction	1,629,407	-	-	1,629,407
Supporting services	900,725	-	-	900,725
Food service	-	-	141,018	141,018
Capital outlay	177,905	99,467	30,034	307,406
Total expenditures	2,708,037	99,467	171,052	2,978,556
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	534,755	39,603	13,821	588,179
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	-	-	5,000
Transfers out	-	-	(5,000)	(5,000)
Net other financing sources (uses)	5,000	-	(5,000)	-
NET CHANGES IN FUND BALANCES	539,755	39,603	8,821	588,179
FUND BALANCES - BEGINNING	960,725	258,551	70,721	1,289,997
FUND BALANCES - ENDING	$ 1,500,480	$ 298,154	$ 79,542	$ 1,878,176

See notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds* (Continued)

Year ended June 30, 2021

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 13)	$	588,179
Amounts reported for *governmental activities* in the statement of activities (page 11) are different because:		
Capital assets:		
Assets acquired		259,430
Provision for depreciation		(87,340)
Changes in deferred outflows of resources:		
Pension		(385,952)
OPEB		9,074
Changes in other liabilities:		
Decrease in net pension obligation		40,299
Decrease in net OPEB obligation		308,951
Changes in deferred inflows of resources:		
Pension		41,982
OPEB		(196,119)
Change in net position of *governmental activities*	$	578,504

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSITION - *custodial funds*

June 30, 2021

	Private-purpose trusts	Custodial
ASSETS		
Cash	$ 43,574	$ 63,539
Loans receivable	590	-
Total assets	$ 44,164	$ 63,539
NET POSITION		
Restricted:		
Held in trust for other purposes	44,164	-
Held for student groups	-	63,539
	$ 44,164	$ 63,539

See notes to financial statements

Burr Oak Community School District

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - *custodial funds*

Year ended June 30, 2021

	Private-purpose trusts	Custodial
ADDITIONS		
Interest earned on deposits	$ 20	$ -
Donations	1,260	-
Contributions from student groups	-	33,443
Total additions	1,280	33,443
DEDUCTIONS		
Scholarships awarded	400	-
Payments to student groups	-	31,223
Total deductions	400	31,223
CHANGE IN NET POSITION	880	2,220
NET POSITION - BEGINNING	43,284	61,319
NET POSITION - ENDING	$ 44,164	$ 63,539

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Burr Oak Community School District (the District) conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies used by the District.

Reporting entity:
As required by generally accepted accounting principles, these financial statements present only the District (located in St. Joseph County); management has determined that there are no other entities for which the District is financially accountable.

Government-wide and fund financial statements:
The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by intergovernmental revenues and property taxes, are reported in these statements. All of the District's activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental funds are reported as separate columns in the fund financial statements.

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

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are expected to be 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 relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):
The District reports the following major governmental funds:

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

The Capital Sinking Fund, a capital project fund, accounts for the resources used by the District to improve and update the District's aging current capital assets; revenue is primarily derived from tax revenues.

Additionally, the District reports the following custodial fund types:

The private-purpose trust funds are used to account for resources legally held in trust for use by students seeking higher education. All resources of the funds, including any earnings on invested resources, may be used to provide scholarships and loans to students seeking higher education. There is no requirement that any portion of these resources be preserved as capital.

The Custodial Fund accounts for assets held for student groups in a fiduciary capacity.

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

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity:

Deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." All receivables are considered to be fully collectible.

Inventories - All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital assets - Capital assets, which include property, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 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 acquisition value as of the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 20 years
Vehicles	8 years

Unearned revenue - Unearned revenue represents resources related to state aid and operating grants, which have not yet been earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity (continued):

Compensated absences - It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation and sick leave because the District does not have a policy to pay any amounts when employees separate from service with the District. The contingent liability for unpaid accumulated vacation and sick leave has been reported in Note 11.

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

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

Deferred outflows of resources - The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The deferred outflows of resources reported in this year's financial statements relate to pension and OPEB contributions made subsequent to the plan measurement date and unamortized changes in actuarial assumptions.

Deferred inflows of resources - The statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The District has one item that is included in this category - net difference between projected and actual earnings on pension plan investments, which is not recognized until available, are deferred and recognized as an inflow of resources in the period that the revenues become available.

Net position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The District may report three categories of net position, as follows: (1) *Investment in capital assets* consists of net capital assets and deferred outflows of resources reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the District's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the District.

Net position flow assumption - Sometimes, the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity (continued):

Fund equity - In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either a) not in spendable form, or b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Board of Education has delegated the authority to assign fund balance to the Superintendent. Unassigned fund balance is the residual classification for amounts that do not fall into any of the above categories. When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the District. Property tax revenue is recognized in the year for which taxes have been levied and become available. The District levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Board is the function level. All annual appropriations lapse at the end of the fiscal year. There were no reportable budgetary violations during the current year ending June 30, 2021.

NOTE 3 - CASH

Cash at June 30, 2021, is classified in the accompanying financial statements as follows:

Governmental activities	$ 1,533,908
Fiduciary funds	107,113
Total cash	$ 1,641,021

Cash at June 30, 2021, consists of the following:

Deposits with financial institutions	$ 1,641,021

NOTE 3 - CASH (Continued)

Deposits - State statutes and the District's investment policy authorize the District to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The District's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the District will not be able to recover its deposits. The District's investment policy does not specifically address custodial credit risk for deposits. At June 30, 2021, $1,510,538 of the District's bank balances of $1,773,129 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2021, for the District's funds were as follows:

Fund	*Inter-governmental*
General	$ 558,532
Nonmajor	26,827
	$ 585,359

All receivables are due within one year and are considered to be fully collectible.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	$ 1,438,150	$ 56,211	$ -	$ 1,494,361
Furniture and equipment	1,147,209	133,719	-	1,280,928
Vehicles	280,756	69,500	-	350,256
Subtotal	2,866,115	259,430	-	3,125,545
Less accumulated depreciation for:				
Buildings and improvements	(1,038,558)	(34,031)	-	(1,072,589)
Furniture and equipment	(992,072)	(28,513)	-	(1,020,585)
Vehicles	(164,223)	(24,796)	-	(189,019)
Subtotal	(2,194,853)	(87,340)	-	(2,282,193)
Governmental activities capital assets, net	$ 671,262	$ 172,090	$ -	$ 843,352

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities of the District as follows:

Governmental activities:	
Instruction	$ 43,942
Supporting services	43,398
Total governmental activities	$ 87,340

NOTE 6 - PAYABLES

Payables as of June 30, 2021, for the District's funds were as follows:

Fund	*Accounts*	*Payroll*	*Totals*
General	$ 144,139	$ 92,846	$ 236,985
Nonmajor	1,043	-	1,043
Totals	$ 145,182	$ 92,846	$ 238,028

NOTE 7 - DEFINED BENEFIT PENSION PLAN

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

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

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

The System's financial statements are available at www.michigan.gov/ORSSchools.

Benefits provided - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% 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.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

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

Contributions and funded status - Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Contributions to the pension plan from the District were $200,105 for the year ended June 30, 2021, which include amounts unpaid as of June 30, 2021, of $17,274.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability, as of the September 30, 2019, valuation, will be amortized over a 20-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020.

Pension Contribution rates:

Benefit structure	*Member*	*Employer*
Basic	0.0 - 4.0%	19.41%
Member investment plan	3.0 - 7.0%	19.41%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined contribution	0%	13.39%

Required contributions to the pension plan from the District were $383,846 for the year ended September 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the District reported a liability of $4,798,002 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the District's proportion was 0.01396754% which was a decrease of 0.00064234% from its proportion measured as of September 30, 2019.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2021, the District recognized pension expense of $665,022. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	*Deferred inflows of resources*
Difference between actual and expected experience	$ 73,310	$ 10,241
Changes in assumptions	531,665	-
Net difference between projected and actual earnings on pension plan investments	20,159	-
Changes in proportion and differences between District contributions and proportionate share of contributions	18,934	174,250
District contributions subsequent to the measurement date*	152,564	-
Total	$ 796,632	$ 184,491

Deferred outflows of resources, related to pension, resulting from employer contributions subsequent to the measurement date, in the amount of $152,564 reported as deferred outflows of resources related to pensions, resulting from employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year ending September 30	*Amount*
2021	$ 241,183
2022	147,991
2023	57,508
2024	12,895

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation date:	September 30, 2019
Actuarial cost method:	Entry age, Normal
Wage inflation rate:	2.75%
Investment rate of return:	
- MIP and basic plans:	6.80%
- Pension plus plan:	6.80%
- Pension plus 2 plan:	6.00%
Projected salary increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost of living pension adjustments:	3% annual non-compounded for MIP members

Mortality:

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

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

Notes to summary of actuarial assumptions

- 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 annual pension valuations beginning with the September 30, 2017, valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report *(www.michigan.gov/ORSSchools).*

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset class	*Target allocation*	*Long-term expected real rate of return**
Domestic equity pools	25.0%	5.6%
Private equity pools	16.0%	9.3%
International equity	15.0%	7.4%
Fixed income pools	10.5%	0.5%
Real estate and infrastructure pools	10.0%	4.9%
Absolute return pools	9.0%	3.2%
Real return/opportunistic pools	12.5%	6.6%
Short-term investment pools	2.0%	0.1%
	100.0%	

** The long-term rate of return does not include 2.3% inflation.*

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

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

1% Decrease 5.80% / 5.80% / 5.0%	*Current single discount rate assumption 6.80% / 6.80% / 6.00%*	*1% Increase 7.80% / 7.80% / 7.00%*
$ 6,210,200	$ 4,798,002	$ 3,627,605

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available at www.michigan.gov/ORSSchools.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

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

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

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

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

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

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

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

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

Contributions and funded status - Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Contributions to the OPEB plan from the District were $88,180 for the year ended June 30, 2021, which include amounts unpaid as of June 30, 2021, of $7,612.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019, valuation will be amortized over a 20-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2020.

OPEB Contribution Rates

Benefit structure	*Member*	*Employer*
Premium subsidy	3.00%	8.09%
Personal healthcare fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the District were $97,605 for the year ended September 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2021, the District reported a liability of $740,097 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net OPEB liability was determined by dividing each employers statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the District's proportion was 0.01381482 percent, which was a decrease of 0.00129441 percent from its proportion measured as of October 1, 2019.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

For the year ending June 30, 2021, the District recognized OPEB expense of $(33,549). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	*Deferred inflows of resources*
Difference between actual and expected experience	$ -	$ 551,441
Changes in assumptions	244,025	-
Net difference between projected and actual earnings on OPEB plan investments	6,177	-
Changes in proportion and differences between District contributions and proportionate share of contributions	16,547	85,593
District contributions subsequent to the measurement date*	67,504	-
Total	$ 334,253	$ 637,034

Deferred outflows of resources, related to OPEB, resulting from employer contributions subsequent to the measurement date, in the amount of $67,504, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan year ending September 30	*Member*
2021	$ (94,889)
2022	(86,285)
2023	(75,225)
2024	(64,392)
2025	(49,494)

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

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation date:	September 30, 2019
Actuarial cost method:	Entry age, Normal
Wage inflation rate:	2.75%
Investment rate of return	6.95%
Projected salary increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	7.0% year 1 graded to 3.5% year 15; 3.0% Year 120

Mortality:

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

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

Other assumptions:

Opt out assumptions:

21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor coverage:

80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree’s death.

Coverage election at retirement:

75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes to summary of actuarial assumptions

- 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 annual OPEB valuations beginning with the September 30, 2017, valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018.
- Recognition period for assets in years 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).

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

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

Asset class	*Target allocation*	*Long-term expected real rate of return**
Domestic equity pools	25.0%	5.6%
Private equity pools	16.0%	9.3%
International equity	15.0%	7.4%
Fixed income pools	10.5%	0.5%
Real estate and infrastructure pools	10.0%	4.9%
Absolute return pools	9.0%	3.2%
Real return/opportunistic pools	12.5%	6.6%
Short-term investment pools	2.0%	-0.1%
	100.0%	

** The long-term rate of return are net of administrative expense and 2.1% inflat*

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

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

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

1% Decrease 5.95%	*Current discount rate 6.95%*	*1% Increase 7.95%*
$ 950,738	$ 740,097	$ 562,754

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

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

1% Decrease	*Current healthcare cost trend rate*	*1% Increase*
$ 555,694	$ 740,097	$ 949,525

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/ORSSchools.

NOTE 9 - TAX REVENUE

The 2020 taxable valuation of the District approximated $13,937,000 (non-homestead) and $46,637,000 (taxable value), on which ad valorem taxes levied consisted of 18.000 mills on non-homestead for operating purposes, raising approximately $252,000, and 2.9793 mills on total taxable value for sinking fund raising approximately $139,000, which are recognized in the fund financial statement as property tax revenue.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The District has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - CONTINGENT LIABILITIES

The District is a reimbursing employer to the Michigan Employment Security Commission (MESC) and, as such, is responsible to pay MESC for those benefits paid and charged to its account. As of June 30, 2021, appropriate liabilities have been recorded for all claims paid by MESC. However, no provision has been made for future payments that might result from claims in process or unfiled claims.

The District is contingently liable for approximately $217,353 of nonvested, accumulated sick pay benefits at June 30, 2021.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2020, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. As a result, a statement of fiduciary net position and a statement of changes in fiduciary net position have been presented. The statement of fiduciary net position reports all assets, liabilities, and net position of fiduciary funds, as in the past. However, liabilities are now only recognized when an event occurs that compels the government to disburse fiduciary resources. The statement of changes in fiduciary net position reports the additions and deductions from fiduciary net position, which is a new requirement for custodial funds, which replace agency funds.

NOTE 13 - PENDING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2018 and will be effective for periods beginning after June 15, 2021. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

	Original budget	*Final budget*	*Actual*	*Variance with final budget positive (negative)*
REVENUES FROM LOCAL SOURCES				
Property taxes	$ 252,589	$ 253,071	$ 252,083	$ (988)
Athletic receipts	8,100	8,093	8,499	406
Other	58,206	74,057	58,349	(15,708)
Total revenues from local sources	318,895	335,221	318,931	(16,290)
REVENUES FROM STATE SOURCES				
Direct appropriations from the state - state school aid	1,618,601	2,067,124	2,069,106	1,982
Restricted grants:				
At-risk	166,347	152,934	154,036	1,102
Special education	7,129	10,590	10,591	1
Headlee obligation	7,126	7,312	7,423	111
MPSERS pass thru	183,164	176,343	176,420	77
MPSERS cost offset	54,891	41,989	42,275	286
GSRP	131,340	86,289	76,865	(9,424)
Other	13,340	31,491	23,190	(8,301)
Total revenues from state sources	2,181,938	2,574,072	2,559,906	(14,166)
REVENUES FROM FEDERAL SOURCES				
Appropriations from the state representing:				
Title I	78,989	83,078	78,334	(4,744)
Title II	9,236	10,784	10,052	(732)
Title IV	10,000	10,000	10,000	-
REAP	15,829	18,173	18,173	-
Medicaid outreach	500	733	828	95
Other	71,827	256,649	246,568	(10,081)
Total revenues from federal sources	186,381	379,417	363,955	(15,462)
Total revenues	2,687,214	3,288,710	3,242,792	(45,918)

	Original budget	*Final budget*	*Actual*	*Variance with final budget positive (negative)*
EXPENDITURES				
Instruction:				
Elementary grades	$ 397,394	$ 546,472	$ 537,465	$ 9,007
Secondary grades	764,459	559,236	561,232	(1,996)
Guidance services	77,561	73,204	71,175	2,029
GSRP	113,577	89,444	76,865	12,579
Dean of students	17,337	15,537	14,915	622
Compensatory education	403,945	422,528	367,755	54,773
Total instruction	1,774,273	1,706,421	1,629,407	77,014
Supporting services:				
Media center	3,300	3,378	3,077	301
Athletics	141,914	130,230	121,432	8,798
Summer recreation program	11,308	12,375	4,523	7,852
Robotics	20,000	27,050	16,977	10,073
Health services - contracted services	2,000	2,500	577	1,923
Administration	291,187	289,738	267,650	22,088
Transportation	117,176	120,168	102,881	17,287
Operation and maintenance	316,318	260,553	249,331	11,222
Technology services	144,345	147,212	134,277	12,935
Total supporting services	1,047,548	993,204	900,725	92,479
Capital outlay	24,000	217,341	177,905	39,436
Total expenditures	2,845,821	2,916,966	2,708,037	208,929
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(158,607)	371,744	534,755	163,011
OTHER FINANCING SOURCES(USES)				
Transfers in - Food Services Fund	10,000	5,000	5,000	-
NET CHANGES IN FUND BALANCES	(148,607)	376,744	539,755	163,011
FUND BALANCES - BEGINNING	960,725	960,725	960,725	-
FUND BALANCES - ENDING	$ 812,118	$ 1,337,469	$ 1,500,480	$ 163,011

Burr Oak Community School District

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(Michigan Public School Employees Retirement Plan)

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year end September 30 of each fiscal year.

	2020	*2019*	*2018*	*2017*	*2016*	*2015*	*2014*
A. Reporting unit's proportion of net pension liability (%)	0.01397%	0.01461%	0.01485%	0.01468%	0.01448%	0.01452%	0.01494%
B. Reporting unit's proportionate share of net pension liability	$ 4,798,022	$ 4,838,301	$ 4,462,897	$ 3,805,329	$ 3,611,499	$ 3,547,586	$ 3,290,143
C. Reporting unit's covered payroll	$ 1,239,075	$ 1,286,717	$ 1,293,501	$ 1,249,752	$ 1,231,876	$ 1,304,440	$ 1,361,944
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered payroll (%)	387.23%	376.02%	345.02%	304.49%	293.17%	271.96%	241.58%
E. Plan fiduciary net position as a percentage of total pension liability (%)	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Burr Oak Community School District

SCHEDULE OF PENSION CONTRIBUTIONS

(Michigan Public School Employees Retirement Plan)

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year end June 30 of each year.

	2021	*2020*	*2019*	*2018*	*2017*	*2016*	*2015*
A. Statutorily required contributions	$ 200,105	$ 229,806	$ 219,242	$ 227,534	$ 229,307	$ 225,737	$ 269,530
B. Contributions in relation to statutory required contributions	200,105	229,806	219,242	227,534	229,307	225,737	269,530
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
D. Reporting unit's covered payroll	$ 1,092,354	$ 1,295,428	$ 1,275,680	$ 1,299,773	$ 1,240,500	$ 1,262,559	$ 1,281,604
E. Contributions as a percentage of covered payroll (%)	18.32%	17.74%	17.19%	17.51%	18.49%	17.88%	21.03%

Burr Oak Community School District

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

(Michigan Public School Employees Retirement Plan)

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year end September 30 of each fiscal year.

	2020	*2019*	*2018*	*2017*
A. Reporting unit's proportion of net OPEB liability (%)	0.01381%	0.01462%	0.01511%	0.01475%
B. Reporting unit's proportionate share of net OPEB liability	$ 740,097	$ 1,049,048	$ 1,201,025	$ 1,306,172
C. Reporting unit's covered payroll	$ 1,239,075	$ 1,286,717	$ 1,293,501	$ 1,249,752
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered payroll (%)	59.73%	81.53%	92.85%	104.51%
E. Plan fiduciary net position as a percentage of total OPEB liability (%)	59.44%	48.46%	42.95%	36.39%

Burr Oak Community School District

SCHEDULE OF OPEB CONTRIBUTIONS

(Michigan Public School Employees Retirement Plan)

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year end June 30 of each year.

	2021	*2020*	*2019*	*2018*
A. Statutorily required contributions	$ 88,180	$ 101,438	$ 98,823	$ 93,150
B. Contributions in relation to statutory required contributions	88,180	101,438	98,823	93,150
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -
D. Reporting unit's covered payroll	$ 1,092,354	$ 1,295,428	$ 1,275,680	$ 1,299,773
E. Contributions as a percentage of covered payroll (%)	8.07%	7.83%	7.75%	7.17%

SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF CUSTODIAL NET POSITION - *private-purpose trust funds*

June 30, 2021

	Educational Loan	Endowment Scholarship	Totals
ASSETS			
Cash	$ 35,731	$ 7,843	$ 43,574
Loans receivable	590	-	590
Total assets	$ 36,321	$ 7,843	$ 44,164
NET POSITION	$ 36,321	$ 7,843	$ 44,164

Burr Oak Community School District

COMBINING STATEMENT OF CHANGES IN CUSTODIAL NET POSITION -
private-purpose trust funds

Year ended June 30, 2021

	Educational Loan	*Endowment Scholarship*	*Totals*
ADDITIONS			
Interest	$ 20	$ -	$ 20
Donations	-	1,260	1,260
Total revenues	20	1,260	1,280
DEDUCTIONS			
Scholarships awarded	-	400	400
CHANGE IN NET POSITION	20	860	880
NET POSITION - BEGINNING	36,301	6,983	43,284
NET POSITION - ENDING	$ 36,321	$ 7,843	$ 44,164

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

Board of Education
Burr Oak Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Burr Oak Community School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Burr Oak Community School District's basic financial statements and have issued our reported thereon dated October 5, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

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

Siegfried Crandall P.C.

October 5, 2021