MORENCI AREA SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required and additional supplementary information)

YEAR ENDED JUNE 30, 2021

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Morenci Area Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morenci Area Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Morenci Area Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 13 to the financial statements, Morenci Area Schools implemented Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is 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 and other required supplementary 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morenci Area Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal* Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional 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. The additional supplementary 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 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 additional supplementary information is fairly stated, in all material respects, in relation to the 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 19, 2021 in our consideration of Morenci Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Morenci Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morenci Area Schools' internal control over financial reporting and compliance.

Maney Costerisan PC

October 19, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Morenci Area Schools (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

The management's discussion and analysis is provided at the beginning of the audit to provide in layman's terms the past and current position of the District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplementary and additional information that presents all the District's revenue and expenditures by program.

FINANCIAL HIGHLIGHTS

Reporting the School District as a Whole - District-wide Financial Statements

One of the most important questions asked about the District is, "As a whole, what is the District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the District's financial statements, report information about the District as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position. In order to measure the District's financial health or net position, we examine the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as reported in the statement of net position. Over time, increases or decreases in the District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results.

It is important to remember that the School District's goal is to provide the best educational opportunities and services possible to Morenci students and not to generate profits as commercial entities do. In keeping, the District must account for the long term stability and continuation of the District by weighing expenditures against the ability to continue existence. The District must keep in check significant decreases in net position over time.

The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Our financial statements provide insights into the results of this year's operations.

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources, at the close of the most recent fiscal year by ($10,203,805) (*net position*).

- The District's total net position increased by $297,421 from the restated June 30, 2020 balance of ($10,501,226).

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $1,981,200, an increase of $346,320 in comparison with the prior year.

- At the end of the current fiscal year, the aggregated fund balance for the District's operating fund (general fund) was $1,381,192 or 19.1% of the total revenues of this operating fund.

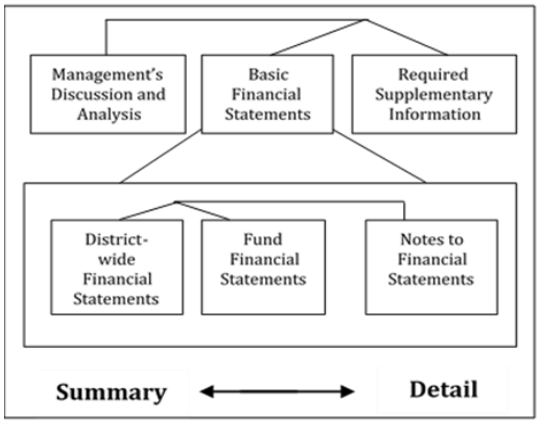
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide notes to financial statements.
- The *governmental fund* statements tell how basic services like instruction and support services were financed in the short-term as well as what remains for future spending.

Figure A-1
Organization of Morenci Area Schools' Annual Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire district	The activities of the District that are not proprietary, such as special education and building maintenance
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position 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 District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- Governmental Activities - Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying debt, and its capital projects fund) or to show that it is properly using certain revenues (like food service).

The District has one type of fund:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - The District's combined net position as of June 30, 2021 totaled ($10,203,805) which was an increase over the restated June 30, 2020 balance of ($10,501,226).

Table A-3
Morenci Area Schools' Net Position

	2021	2020
ASSETS		
Current and other assets	$ 3,201,800	$ 2,404,837
Capital assets	10,307,424	10,568,116
TOTAL ASSETS	13,509,224	12,972,953
DEFERRED OUTFLOWS	3,881,092	4,603,663
LIABILITEIS		
Long-term liabilities	9,716,131	10,426,020
Other liabilities	1,218,164	864,229
Net pension liability	12,380,939	12,116,076
Net other postemployment benefits liability	1,946,248	2,556,407
TOTAL LIABILITIES	25,261,482	25,962,732
DEFERRED INFLOWS	2,332,639	2,209,343
NET POSITION		
Net investment in capital assets	966,523	492,009
Restricted for debt service	106,111	101,125
Unrestricted	(11,276,439)	(11,188,593)
TOTAL NET POSITION	$ (10,203,805)	$ (10,595,459)

*The prior year information in the above schedule is not updated to reflect the implementation of GASB 84.

Table A-4
Changes in Morenci Area Schools' Net Position

	2021	2020
REVENUES		
Program revenues		
Charges for services	$ 24,779	$ 95,936
Operating grants and contributions	1,985,416	1,754,248
General revenues		
Property taxes	1,881,992	1,786,386
State aid - unrestricted	4,451,060	4,282,814
Intermediate sources	443,932	409,858
Investment earnings	3,394	8,040
Other	72,744	63,784
TOTAL REVENUES	8,863,317	8,401,066
EXPENSES		
Instruction	4,878,527	4,922,686
Support services	2,854,835	2,790,104
Intergovernmental	24,605	14,775
Food services	434,208	504,312
Student/school activities	57,474	-
Interest on long-term debt	316,247	344,817
TOTAL EXPENSES	8,565,896	8,576,694
Change in net position	$ 297,421	$ (175,628)

*The prior year information in the above schedule is not updated to reflect the implementation of GASB 84.

District Governmental Activities

The District's financial condition has come about through a number of areas.

- Proposal A established the student foundation grant concept. The foundation grant has increased from $4,762 per student in 1995 to $8,111 per student in 2021.

- Student growth in the District has decreased. In fiscal year 1999 state aid membership was 1,147 and in 22 years has decreased by 46.4% to 615. Morenci Area Schools does participate in School of Choice and Open Enrollment to attract new students to the District.

- Many of the District's employees have been part of a total compensation method of determining their wage and benefit package, which has allowed the District's total compensation to generally keep pace with the decrease in District revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District as a whole has a combined fund balance of $1,981,200 compared to a restated fund balance of $1,634,880 in 2020. The fund balance increased by $346,320 during the year. The District was able to control costs, even with an increase in revenue, primarily due to tight budgetary controls. There are debt service funds with a combined net fund balance of $149,331, and special revenue funds with a net fund balance of $450,677. The general fund increased its fund balance by $316,857, debt service funds increased their fund balance by $711, and the special revenue funds increased their restated fund balance by $28,752.

The general fund's yearly revenues were about 2.0% more than expenditures.

General Fund and Budget Highlights

The Board of Education passed the original 2020-2021 budget on June 24, 2020 and passed the final budget amendment on June 21, 2021. The Board of Education and Administration monitored enrollment once again this year and realized a super blend of 615 students for the 2020-2021 fiscal year.

The original budget projected a decrease in fund balance of $ 518,068 as of June 30, 2021. December amendments did not take place during the 2020-2021 fiscal year since there were no certain significant budgetary changes from the original budget. The Finance Committee and Administration monitored the overall financial stability throughout the year to ensure the District operated at a better than projected budgeted fund balance. The District was anticipating a spring budget amendment; however, those amendments did not take place due to the COVID-19 pandemic. The Finance Committee and the Board of Education were kept apprised of the financial position of the District and of the funds available to the District from the Elementary and Secondary School Emergency Relief (ESSER) act.

Administration and staff meticulously crafted a return to learn plan that would allow students to return to in person instruction and on September 8, 2020, the District opened its doors to students. As a result, the District saw an increase in cost that was due to COVID-19. Specifically, the District incurred increases in pupil services and custodial costs. Additional teachers were hired to accommodate the need for online learners since parents were given that option for their students for the 2020-2021 school year. There was also an increase in custodial costs as the District took on additional cleaning methods and tasks so that students could remain in person. The District took on an increase in costs as the District focused on staff as well as students' mental health initiatives during this trying time.

The final amended budget was to have revenues and other financing sources exceed expenditures and other financing uses by $260,000. The results showed that revenues came in $35,178 less than were anticipated. Expenditures came in $91,891 less than budgeted in June. The general fund savings recognized in the final amendment to actual were related to the district-wide closures due to the COVID-19 pandemic. The net result after other financing sources and (uses) was a change in fund balance of $316,857 increasing the total fund balance to $1,381,192.

Overall, the difference between the District's final amended budget and end of the year figures amounted to a $56,857 variance. General fund revenues came within 0.48% of final budget. General fund expenditures came within 1.28% of final budgeted amounts. Once again, this year, tight budgetary controls allowed the District to maintain the rising costs in-line with increasing revenue sources. The staff continues to be effective in maintaining actual expenditures when compared to budget.

The District closely monitors enrollment, as it has a direct impact on the general fund budget throughout the school year. While the District realized a slight decrease in students with the February 2020 spring count of 599, the October 2020 fall count showed an increase of students to 626. This overall decrease in students was monitored through the end of year enrollment reports as well. As a result of student enrollment decreases, the District projected a budget consistent with 600 students for the 2021-2022 school year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

Table A-5
Morenci Area Schools
Capital Assets

	2021			2020
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 351,668	$ -	$ 351,668	$ 351,668
Land improvements	255,164	79,770	175,394	188,152
Buildings and improvements	16,121,561	7,036,934	9,084,627	9,360,229
Furniture and fixtures	4,532,167	4,159,851	372,316	453,967
Transportation equipment	1,032,842	709,423	323,419	214,100
Total	$ 22,293,402	$ 11,985,978	$ 10,307,424	$ 10,568,116

The change in the net book value is due to depreciation outpacing capital asset additions during the year.

LONG-TERM DEBT

At year end the District had $9,716,131 in long-term debt outstanding as shown in Table A-6. More detailed information is available in Note 6 to the financial statements.

During the year ended June 30, 2021, the District made principal payments in the amount of $863,022. The District entered into an installment purchase agreement of $136,859 for the purchase of new buses.

An increase in compensated absences of $2,893 was also recorded. The District did not borrow any additional funds from the School Loan Revolving Fund. The School Loan Revolving Fund had interest outstanding of $212,801 on June 30, 2021.

Table A-6
Morenci Area Schools
Outstanding Long-Term Debt

	2021	2020
General obligation bonds	$ 8,129,213	$ 9,011,577
Notes from direct borrowings and direct placements	1,545,101	1,375,519
Compensated absences	41,817	38,924
	$ 9,716,131	$ 10,426,020

MANAGEMENT'S DISCUSSION AND ANALYSIS

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District budgeted a foundation allowance increase to $8,275 per student for the 2021-2022 school year. This is an increase of $164 due to the financial uncertainty of COVID-19. However, at the time of this report, the District has been notified of a receiving a foundation allowance of $8,700.

- The District budgeted a blended pupil count of 600 students, a decrease from the 2020-2021 school year, which was based on the one-time "super-blend" count utilized by the State.

- Retirement rates are estimated based upon the FY 2020-2021 employer contribution rate effective October 1, 2021.

- MPSERS cost offset are at the 2020-2021 level.

- The District continues to utilize state and federal funds to increase remediation and acceleration of the core curriculum in classrooms, continue and expand Response to Intervention Service for K-12 students, and increase pupil support services for students social and emotional well-being.

- The District, at the time of this report, has entered into a Performance Agreement for Comfort from Trane U.S. The energy initiatives will provide significant savings for the district over the next ten years. In addition to the energy savings, the district will recognize improved indoor air quality, brighter lighting, and increased comfort controls throughout the facilities. These improvements are funded by a sale of energy bonds plus District in kind support of $500,000.

- The District, in response to the pandemic, is utilizing the bulk of ESSER funds for the planning and implementing activities necessary to maintain the operations and continuity of services to students. Further, the District utilized the ESSER 23b funds were used to offer extended learning opportunities to students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Morenci Area Schools, 788 E. Coomer Street, Morenci, MI 49256.

BASIC FINANCIAL STATEMENTS

MORENCI AREA SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,585,337
Receivables	
Intergovernmental receivable	1,516,198
Inventories	13,186
Prepaid expenditures	87,079
Capital assets not being depreciated	351,668
Capital assets, net of accumulated depreciation	9,955,756
TOTAL ASSETS	13,509,224
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of amortization	120,612
Related to pensions	2,703,664
Related to other postemployment benefits	1,056,816
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,881,092
LIABILITIES	
Accounts payable	100,760
Notes payable	307,168
Accrued interest	46,614
Accrued salaries and related items	346,041
Accrued retirement	173,911
Unearned revenue	243,670
Noncurrent liabilities	
Due within one year	923,757
Due in more than one year	8,792,374
Net pension liability	12,380,939
Net other postemployment benefits liability	1,946,248
TOTAL LIABILITIES	25,261,482
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	247,720
Related to other postemployment benefits	1,611,702
Related to state aid funding for pension	473,217
TOTAL DEFERRED INFLOWS OF RESOURCES	2,332,639
NET POSITION	
Net investment in capital assets	966,523
Restricted for debt service	106,111
Unrestricted	(11,276,439)
TOTAL NET POSITION	$ (10,203,805)

See notes to financial statements.

MORENCI AREA SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 4,878,527	$ -	$ 1,077,479	$ (3,801,048)
Support services	2,854,835	24,779	351,085	(2,478,971)
Intergovernmental	24,605	-	-	(24,605)
Food services	434,208	-	491,702	57,494
Student/school activities	57,474	-	65,150	7,676
Interest on long-term debt	316,247	-	-	(316,247)
Total governmental activities	$ 8,565,896	$ 24,779	$ 1,985,416	(6,555,701)
General revenues				
Property taxes, levied for general purposes				744,827
Property taxes, levied for debt service				1,137,165
State sources				4,451,060
Intermediate sources				443,932
Investment earnings				3,394
Other				72,744
Total general revenues				6,853,122
CHANGE IN NET POSITION				297,421
NET POSITION, beginning of year, as restated				(10,501,226)
NET POSITION, end of year				$ (10,203,805)

See notes to financial statements.

MORENCI AREA SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Special Revenue Fund - Food Service	Debt Service Fund - 2017 Refunding	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,083,266	$ 330,389	$ -	$ 171,682	$ 1,585,337
Receivables					
Due from other funds	34,320	31,497	64,768	14,790	145,375
Intergovernmental	1,516,198	-	-	-	1,516,198
Inventories	-	13,186	-	-	13,186
Prepaid expenditures	51,785	35,294	-	-	87,079
TOTAL ASSETS	$ 2,685,569	$ 410,366	$ 64,768	$ 186,472	$ 3,347,175
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Payables					
Accounts payable	$ 100,080	$ 680	$ -	$ -	$ 100,760
Due to other funds	111,055	34,320	-	-	145,375
Notes payable	307,168	-	-	-	307,168
Accrued interest	3,394	-	-	-	3,394
Accrued salaries and related items	335,660	10,381	-	-	346,041
Accrued retirement	167,746	6,165	-	-	173,911
Unearned revenue	233,618	10,052	-	-	243,670
TOTAL LIABILITIES	1,258,721	61,598	-	-	1,320,319
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	45,656	-	-	-	45,656
FUND BALANCES					
Nonspendable					
Inventories	-	13,186	-	-	13,186
Prepaid expenditures	51,785	35,294	-	-	87,079
Restricted for:					
Debt service	-	-	64,768	84,563	149,331
Food service	-	300,288	-	-	300,288

See notes to financial statements.

	General Fund	Special Revenue Fund - Food Service	Debt Service Fund - 2017 Refunding	Total Nonmajor Funds	Total Governmental Funds
FUND BALANCES (continued)					
Committed for student/school activities	$ -	$ -	$ -	$ 101,909	$ 101,909
Assigned for subsequent year expenditures	160,000	-	-	-	160,000
Unassigned	1,169,407	-	-	-	1,169,407
TOTAL FUND BALANCES	1,381,192	348,768	64,768	186,472	1,981,200
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,685,569	$ 410,366	$ 64,768	$ 186,472	$ 3,347,175

Total Governmental Fund Balances		$ 1,981,200
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred charge on refunding, net of amortization	$ 120,612	
Deferred outflows of resources - related to pensions	2,703,664	
Deferred inflows of resources - related to pensions	(247,720)	
Deferred outflows of resources - related to other postemployment benefits	1,056,816	
Deferred inflows of resources - related to other post employment benefits	(1,611,702)	
Deferred inflows of resources - related to state funding for pension	(473,217)	
		1,548,453
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	22,293,402	
Accumulated depreciation is	(11,985,978)	
		10,307,424
Revenue not recorded in the funds due to not being collected until after September 1st.		
Unavailable revenue - special education claims		45,656
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Long-term debt obligation		(9,674,314)
Compensated absences		(41,817)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(43,220)
Net pension liability		(12,380,939)
Net other postemployment benefits liability		(1,946,248)
Net Position of Governmental Activities		$ (10,203,805)

See notes to financial statements.

MORENCI AREA SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund - Food Service	Debt Service Fund - 2017 Refunding	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources					
Property taxes	$ 744,827	$ -	$ 927,170	$ 209,995	$ 1,881,992
Investment earnings	3,110	-	284	-	3,394
Student/school activities	-	-	-	65,150	65,150
Other	95,822	-	-	-	95,822
Total local sources	843,759	-	927,454	275,145	2,046,358
State sources	5,429,986	46,197	3,142	737	5,480,062
Federal sources	524,122	445,505	-	-	969,627
Intermediate school districts	445,732	-	-	-	445,732
TOTAL REVENUES	7,243,599	491,702	930,596	275,882	8,941,779
EXPENDITURES					
Current					
Instruction	4,187,931	-	-	-	4,187,931
Supporting services	2,690,787	-	-	-	2,690,787
Food service activities	-	412,951	-	-	412,951
Student/school activities	-	-	-	57,474	57,474
Intergovernmental	24,605	-	-	-	24,605
Capital outlay	185,106	22,675	-	-	207,781

See notes to financial statements.

	General Fund	Special Revenue Fund - Food Service	Debt Service Fund - 2017 Refunding	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)					
Debt service					
Principal repayment	$ 8,022	$ -	$ 735,000	$ 120,000	$ 863,022
Interest	3,851	-	193,050	91,919	288,820
Other	-	-	607	41	648
TOTAL EXPENDITURES	7,100,302	435,626	928,657	269,434	8,734,019
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	143,297	56,076	1,939	6,448	207,760
OTHER FINANCING SOURCES (USES)					
Transfers in	35,000	-	-	-	35,000
Transfers out	-	(35,000)	-	-	(35,000)
Proceeds from installment purchase agreement	136,859	-	-	-	136,859
Proceeds from sale of capital asset	1,701	-	-	-	1,701
TOTAL OTHER FINANCING SOURCES (USES)	173,560	(35,000)	-	-	138,560
NET CHANGE IN FUND BALANCES	316,857	21,076	1,939	6,448	346,320
FUND BALANCES					
Beginning of year, as restated	1,064,335	327,692	62,829	180,024	1,634,880
End of year	$ 1,381,192	$ 348,768	$ 64,768	$ 186,472	$ 1,981,200

See notes to financial statements.

MORENCI AREA SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances Total Governmental Funds	$ 346,320
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	(531,202)
Capital outlay	270,510
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.	
Accrued interest payable, beginning of the year	47,495
Accrued interest payable, end of the year	(43,220)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Interest on school loan revolving fund	(40,745)
Proceeds from installment note	(136,859)
Payments on debt	863,022
Amortization of bond premiums	29,328
Amortization of bond discounts	(1,964)
Amortization of deferred charge on refunding	(18,321)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available.	
Unavailable revenue, beginning of year	(47,456)
Unavailable revenue, end of year	45,656
Compensated absences are reported on the accrual method in the statement of activities and recorded as an expenditure when financial resources are used in the governmental funds.	
Accrued compensated absences, beginning of the year	38,924
Accrued compensated absences, end of the year	(41,817)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Pension related items	(692,205)
Other postemployment benefits items	288,318
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefits contributions subsequent to the measurement period.	
State aid funding, beginning of year	394,854
State aid funding, end of year	(473,217)
Change in Net Position of Governmental Activities	$ 297,421

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide 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. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

The Morenci Area Schools (the "District") is governed by the Morenci Area Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 *Food Service Fund* is a special revenue fund that accounts for federal, state, and local sources that are legally restricted to expenditures for providing meals to District students and faculty.

The *2017 Refunding Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt used to refund the 2005 and 2008 general obligation bonds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Other Nonmajor Funds

The *2013 Building and Site Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

The *special revenue* funds account for revenue sources that are legally restricted or committed to expenditures for special purposes (not including expendable trusts or major capital projects). The District accounts for its student/school activities in a special revenue fund.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 expenses. 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.

The government-wide 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund 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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Property taxes, state and federal aid, 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from 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 current year ended, 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 6 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 primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

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

a. 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.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). 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. Violations, if any, in the general fund and special revenue fund are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between 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.

e. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2021. The District does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The District's cash and cash equivalents are 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.

Investments

In accordance with Michigan Complied Laws, the District is authorized to invest in the following investment vehicles:

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Cash and Cash Equivalents (continued)

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), 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, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. 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.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers' acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and transportation 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 two years. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets (continued)

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	20
Building and additions	20 - 50
Equipment and furniture	5 - 20
Transportation equipment	5 - 10

Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public 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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Inflows (continued)

The District has four items that qualifies for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. The fourth item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year-end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available.

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.

In the computation of net invested in capital assets, school bond revolving fund principal proceeds of $1,187,419 are considered capital-related debt. Accrued interest on the school bond loan fund of $212,801 has been included in the balance of long-term debt and in the calculation of unrestricted net position.

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund 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 fund balance to have been depleted before any of the components of unrestricted fund balance. When the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies (continued)

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *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 or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and 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 dates are September 14 and 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:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	7.96

Compensated Absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, or retirements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, the District had no investments. The District had deposits subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2021, $1,302,212 of the District's bank balance of $1,802,212 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $1,585,337.

Custodial Credit Risk - Investments

For an investment, this 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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Foreign Currency Risk

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

Fair Value Measurement

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

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

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

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2021:

District-wide	
Cash and cash equivalents	$ 1,585,337

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2021 consist of the following:

	Government-wide
State aid	$ 1,147,694
Federal revenue	327,300
Intermediate school district	41,204
	$ 1,516,198

Intergovernmental receivables include amounts due from federal, state and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Assets not being depreciated				
Land	$ 351,668	$ -	$ -	$ 351,668
Other capital assets				
Land improvements	255,164	-	-	255,164
Building and additions	16,121,561	-	-	16,121,561
Equipment and furniture	4,546,556	85,404	99,793	4,532,167
Transportation equipment	847,736	185,106	-	1,032,842
Subtotal	21,771,017	270,510	99,793	21,941,734
Accumulated depreciation				
Land improvements	67,012	12,758	-	79,770
Building and additions	6,761,332	275,602	-	7,036,934
Equipment and furniture	4,092,589	167,055	99,793	4,159,851
Transportation equipment	633,636	75,787	-	709,423
Total accumulated depreciation	11,554,569	531,202	99,793	11,985,978
Net capital assets being depreciated	10,216,448	(260,692)	-	9,955,756
Net governmental capital assets	$ 10,568,116	$ (260,692)	$ -	$ 10,307,424

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation for the fiscal year ended June 30, 2021 amounted to $531,202 which was allocated in the following manner:

Instruction	$ 413,260
Support services	117,942
	$ 531,202

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTES

At June 30, 2021, the District issued two state aid anticipation notes payable in the amounts of $550,000 (Note 2020 A-1) and $200,000 (Note 2020 A-2), which have interest rates of 0.70% and 0.25%, respectively, and mature July 20, 2021 and August 20, 2021. Proceeds of the notes were used to fund school operations. The notes are secured by the full faith and credit of the District as well as pledged state aid. Note 2020 A-1 required payments to an irrevocable set-aside account of $442,832 at June 30, 2021. At year-end the balance of these payments is considered defeased debt and are not included in the year-end balance. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2021 is as follows:

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
$ 75,840	$ 750,000	$ 518,672	$ 307,168

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of the long-term debt obligations for the District for the year ended June 30, 2021:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance July 1, 2020	$ 9,011,577	$ 1,375,519	$ 38,924	$ 10,426,020
Additions	-	177,604	2,893	180,497
Deletions	(882,364)	(8,022)	-	(890,386)
Balance June 30, 2021	8,129,213	1,545,101	41,817	9,716,131
Due within one year	(880,000)	(35,394)	(8,363)	(923,757)
Due in more than one year	$ 7,249,213	$ 1,509,707	$ 33,454	$ 8,792,374

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2021 is comprised of the following issues:

General Obligation Bonds	
2013 serial bonds due in annual installments of $130,000 to $250,000 through May 1, 2033 with interest from 3.00% to 4.50%.	$ 2,260,000
2017 serial bonds due in annual installments of $750,000 to $870,000 through May 1, 2028 with interest of 3.00%.	5,700,000
Add issuance premiums	195,517
Less issuance discounts	(26,304)
Total general obligation bonds	8,129,213
Notes from Direct Borrowings and Direct Placements	
2019 installment purchase agreement due in annual installments of $8,022 through October 23, 2021 with interest of 2.85%.	8,022
2021 installment purchase agreement due in annual installments of $27,372 through October 25, 2025 with interest of 1.90%.	136,859
Borrowings from the State of Michigan under the School Loan Revolving Fund, inclusive of interest. Interest at June 30, 2021 was 3.00%.	1,400,220
Total notes from direct borrowings:	1,545,101
Total general obligation bonds and notes from direct borrowings and direct placements	9,674,314
Compensated absences	41,817
Total long-term obligations	$ 9,716,131

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $8,022 and $136,859 contain provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

In prior years, the District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2021, $10,890,000 of bonds outstanding are considered defeased.

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Borrowing from the State of Michigan - The school loan revolving fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30, 2021 was 3.00%. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.96 mills. The School District is required to levy 7.00 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 7.96 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule. The State may apply a default late charge on the note if the District does not make the repayments or apply the default late charge if the District fails to levy the appropriate debt mills. The State may also withhold state aid payments if the District is in default.

The annual requirements to amortize long-term obligations outstanding exclusive of school loan revolving fund and compensated absences payments as of June 30, 2021, including interest of $1,392,131, are as follows:

Year Ending	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated	
June 30,	Principal	Interest	Principal	Interest	Absences	Total
2022	$ 880,000	$ 259,318	$ 35,394	$ 2,475	$ -	$ 1,177,187
2023	905,000	232,918	27,372	2,080	-	1,167,370
2024	935,000	205,768	27,372	1,560	-	1,169,700
2025	965,000	177,356	27,372	1,040	-	1,170,768
2026	995,000	147,826	27,371	520	-	1,170,717
2027 - 2031	2,780,000	327,824	-	-	-	3,107,824
2032 - 2033	500,000	33,446	-	-	-	533,446
	7,960,000	1,384,456	144,881	7,675	-	9,497,012
Issuance premiums	195,517	-	-	-	-	195,517
Issuance discounts	(26,304)	-	-	-	-	(26,304)
School Loan Revolving Fund	-	-	1,187,419	212,801	-	1,400,220
Compensated absences	-	-	-	-	41,817	41,817
	$ 8,129,213	$ 1,384,456	$ 1,332,300	$ 220,476	$ 41,817	$ 11,108,262

Interest expense (all funds) for the year ended June 30, 2021 was approximately $316,000.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2021 are as follows:

Receivable Fund		Payable Fund	
General fund	$ 34,320	General fund	$ 111,055
Food service fund	31,497	Food service fund	34,320
2013 debt fund	14,790		
2017 debt fund	64,768		
	$ 145,375		$ 145,375

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/ors schools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan Members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transient date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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 health care 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.

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (No Reduction Factor for Age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately $1,068,000. Of the total pension contributions approximately $1,048,000 was contributed to fund the Defined Benefit Plan and approximately $20,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately $299,000. Of the total OPEB contributions approximately $273,000 was contributed to fund the Defined Benefit Plan and approximately $26,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

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 date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2020	September 30, 2019
Total pension liability	$ 85,290,583,799	$ 83,442,507,212
Plan fiduciary net position	$ 50,939,496,006	$ 50,325,869,388
Net pension liability	$ 34,351,087,793	$ 33,116,637,824
Proportionate share	0.03604%	0.03659%
Net pension liability for the District	$ 12,380,939	$ 12,116,076

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

For the year ended June 30, 2021, the District recognized pension expense of $1,740,103.

At June 30, 2021, the Reporting Unit 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
Changes of assumptions	$ 1,371,927	$ -
Net difference between projected and actual plan investment earnings	52,019	-
Differences between expected and actual experience	189,171	26,425
Changes in proportion and differences between employer contributions and proportionate share of contributions	97,421	221,295
Reporting Unit's contributions subsequent to the measurement date	993,126	-
	$ 2,703,664	$ 247,720

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

$993,126, 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 subsequent fiscal year.

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

Year Ended September 30,	Amount
2021	$ 695,837
2022	482,430
2023	220,464
2024	64,087

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

OPEB Liabilities

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 date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2020	September 30, 2019
Total other postemployment benefit liability	$ 13,206,903,534	$ 13,925,860,688
Plan fiduciary net position	$ 7,849,636,555	$ 6,748,112,668
Net other postemployment benefit liability	$ 5,357,266,979	$ 7,177,748,020
Proportionate share	0.03633%	0.03562%
Net other postemployment benefit liability for the District	$ 1,946,248	$ 2,556,407

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2021, the District recognized an OPEB benefit of $15,414.

At June 30, 2021, the Reporting Unit 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
Changes of assumptions	$ 641,717	$ -
Net difference between projected and actual plan investment earnings	16,244	-
Differences between expected and actual experience	-	1,450,137
Changes in proportion and differences between employer contributions and proportionate share of contributions	149,766	161,565
Reporting Unit's contributions subsequent to the measurement date	249,089	-
	$ 1,056,816	$ 1,611,702

$249,089, 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 subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amount
2021	$ (210,279)
2022	(187,750)
2023	(167,183)
2024	(145,724)
2025	(93,039)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment Rate of Return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. 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 liability beginning with the September 30, 2018 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - 7.0% for year one and graded to 3.5% in year fifteen.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Additional Assumptions for Other Postemployment Benefit Only - 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 coverage 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.

The target asset allocation at September 30, 2020 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.6%
International Equity Pools	15.0%	7.4%
Private Equity Pools	16.0%	9.3%
Real Estate and Infrastructure Pools	10.0%	4.9%
Fixed Income Pools	10.5%	0.5%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	2.0%	-0.1%
	100.00%	

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

Rate of Return - For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and 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.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

OPEB Discount Rate - A single 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 school districts 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 Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 16,025,026	$ 12,380,939	$ 9,360,804

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 2,500,177	$ 1,946,248	$ 1,479,886

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Trend Decrease	Current Healthcare Cost Trend Rates	1% Trend Decrease
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 1,462,030	$ 1,946,248	$ 2,496,986

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2020 Comprehensive Annual Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent 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).

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. 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 years, 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.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 10 - TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax (IFT) exemptions, and the Commercial Rehabilitation Act granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The Commercial Rehabilitation Act offers owners of certain rehabilitated commercial facilities in certain districts property tax abatement for up to ten years. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Type	Taxes Abated
City of Morenci	IFT	$ 7,940
City of Morenci	Commercial Rehabilitation	1,454
		$ 9,394

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's Section 22 funding of the State School Aid Act.

There are no abatements made by the District.

NOTE 11 - TRANSFERS

The transfer of $35,000 from the food service fund to the general fund was for indirect costs.

NOTE 12 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 13 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2021, the District implemented the following new pronouncement: GASB statement No. 84, *Fiduciary Activities*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

The restatement of the beginning year fund balances and net position is as follows:

	Fund Balances	
	Student/ School Activity Fund	Total Governmental Funds
Fund balances as of July 1, 2020, as previously stated	$ -	$ 1,540,647
Adoption of GASB Statement 84	94,233	94,233
Fund balances as of July 1, 2020, as restated	$ 94,233	$ 1,634,880

	Net Position	
	Governmental Activities	Custodial Fund
Net postion as of July 1, 2020, as previously stated	$ (10,595,459)	$ 94,233
Adoption of GASB Statement 84	94,233	(94,233)
Net position as of July 1, 2020, as restated	$ (10,501,226)	$ -

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. 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. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

MORENCI AREA SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 779,976	$ 825,415	$ 843,759	$ 18,344
State sources	4,821,847	5,394,346	5,429,986	35,640
Federal sources	404,000	599,410	524,122	(75,288)
Intermediate school districts	281,000	459,606	445,732	(13,874)
TOTAL REVENUES	6,286,823	7,278,777	7,243,599	(35,178)
EXPENDITURES				
Current				
Instruction				
Basic programs	3,216,475	3,408,490	3,465,957	(57,467)
Added needs	768,190	720,983	721,974	(991)
Total instruction	3,984,665	4,129,473	4,187,931	(58,458)
Supporting services				
Pupil	183,627	313,929	223,608	90,321
Instructional staff	10,000	2,005	2,031	(26)
General administration	193,954	178,594	162,977	15,617
School administration	450,218	436,031	437,741	(1,710)
Business	197,166	169,242	209,720	(40,478)
Operation/maintenance	852,261	916,845	877,969	38,876
Pupil transportation	400,287	528,764	503,577	25,187
Athletics	251,124	243,729	233,576	10,153
Other	292,934	235,228	224,694	10,534
Total supporting services	2,831,571	3,024,367	2,875,893	148,474
Intergovernmental expenditures	-	26,480	24,605	1,875
Debt service				
Principal payments	8,455	8,022	8,022	-
Interest	5,200	3,851	3,851	-
Total debt service	13,655	11,873	11,873	-
TOTAL EXPENDITURES	6,829,891	7,192,193	7,100,302	91,891
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(543,068)	86,584	143,297	56,713
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	36,557	35,000	1,557
Proceeds from sale of capital asset	-	-	1,701	(1,701)
Proceeds from installment purchase agreement	-	136,859	136,859	-
TOTAL OTHER FINANCING SOURCES (USES)	25,000	173,416	173,560	144
NET CHANGE IN FUND BALANCE	$ (518,068)	$ 260,000	316,857	$ 56,857
FUND BALANCE				
Beginning of year			1,064,335	
End of year			$ 1,381,192	

MORENCI AREA SCHOOLS
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources				
Food sales	$ 91,021	$ -	$ -	$ -
Investment earnings	10	-	-	-
State sources	24,092	40,878	46,197	5,319
Federal sources	336,266	442,958	445,505	2,547
TOTAL REVENUES	451,389	483,836	491,702	7,866
EXPENDITURES				
Current				
Supporting services				
Salaries	132,443	117,621	113,085	4,536
Benefits	72,305	68,386	74,236	(5,850)
Contracted services	-	2,098	16,881	(14,783)
Supplies and other	7,250	11,516	3,542	7,974
Food	236,000	194,657	189,917	4,740
Non-food	15,000	18,191	15,290	2,901
Capital outlay	52,000	150,842	22,675	128,167
TOTAL EXPENDITURES	514,998	563,311	435,626	127,685
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(63,609)	(79,475)	56,076	135,551
OTHER FINANCING SOURCES (USES)				
Transfers in	645	-	-	-
Transfers out	(25,000)	(35,000)	(35,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(24,355)	(35,000)	(35,000)	-
NET CHANGE IN FUND BALANCE	$ (87,964)	$ (114,475)	21,076	$ 135,551
FUND BALANCE				
Beginning of year			327,692	
End of year			$ 348,768	

MORENCI AREA SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.03604%	0.03659%	0.03683%	0.03563%	0.03670%	0.03772%	0.03506%
Reporting Unit's proportionate share of net pension liability	$ 12,380,939	$ 12,116,076	$ 11,070,512	$ 9,234,520	$ 9,157,557	$ 9,214,239	$ 7,723,408
Reporting Unit's covered-employee payroll	$ 3,250,636	$ 3,134,552	$ 3,126,117	$ 2,977,878	$ 3,088,870	$ 3,205,512	$ 3,298,462
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	380.88%	386.53%	354.13%	310.10%	296.47%	287.45%	234.15%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

MORENCI AREA SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 1,047,898	$ 989,923	$ 957,922	$ 939,294	$ 793,769	$ 793,074	$ 668,890
Contributions in relation to statutorily required contributions	1,047,898	989,923	957,922	939,294	793,769	793,074	668,890
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 3,153,766	$ 3,270,698	$ 3,108,995	$ 3,245,085	$ 3,099,358	$ 3,179,014	$ 3,533,562
Contributions as a percentage of covered-employee payroll	33.23%	30.27%	30.81%	28.95%	25.61%	24.95%	18.93%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

MORENCI AREA SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability (%)	0.03633%	0.03562%	0.03819%	0.03585%
Reporting Unit's proportionate share of net OPEB liability	$ 1,946,248	$ 2,556,407	$ 3,035,570	$ 3,174,259
Reporting Unit's covered-employee payroll	$ 3,250,636	$ 3,134,552	$ 3,126,117	$ 2,977,878
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	59.87%	81.56%	97.10%	106.59%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

MORENCI AREA SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2021	2020	2019	2018
Statutorily required contributions	$ 272,904	$ 281,108	$ 254,984	$ 266,279
Contributions in relation to statutorily required contributions	272,904	281,108	254,984	266,279
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 3,153,766	$ 3,270,698	$ 3,108,995	$ 3,245,085
Contributions as a percentage of covered-employee payroll	8.65%	8.59%	8.20%	8.21%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

MORENCI AREA SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2020.

Changes of Assumptions - there were no changes of assumptions in 2020.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2020.

Changes of Assumptions - the assumption changes for 2020 were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

ADDITIONAL SUPPLEMENTARY INFORMATION

MORENCI AREA SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Debt Service Fund 2013 Building and Site Bonds	Special Revenue Fund Student/School Activities	Total Nonmajor Funds
ASSETS			
Cash and cash equivalents	$ 69,773	$ 101,909	$ 171,682
Due from other funds	14,790	-	14,790
TOTAL ASSETS	$ 84,563	$ 101,909	$ 186,472
FUND BALANCES			
Restricted	$ 84,563	$ -	$ 84,563
Committed	-	101,909	101,909
TOTAL FUND BALANCES	$ 84,563	$ 101,909	$ 186,472

MORENCI AREA SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Debt Service Fund	Special Revenue Fund	Total
	2013 Building and Site Bonds	Student/School Activities	Nonmajor Funds
REVENUES			
Local sources			
Property taxes	$ 209,995	$ -	$ 209,995
Student/school activities	-	65,150	65,150
State sources	737	-	737
TOTAL REVENUES	210,732	65,150	275,882
EXPENDITURES			
Debt service			
Principal repayment	120,000	-	120,000
Interest	91,919	-	91,919
Student/school activities	-	57,474	57,474
Other expenses	41	-	41
TOTAL EXPENDITURES	211,960	57,474	269,434
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,228)	7,676	6,448
NET CHANGE IN FUND BALANCES	(1,228)	7,676	6,448
FUND BALANCES			
Beginning of year, as restated	85,791	94,233	180,024
End of year	$ 84,563	$ 101,909	$ 186,472

MORENCI AREA SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2021

$2,960,000 School Building and Site Bonds issued in 2013:

Principal Due May 1,	Interest Due May 1,	Interest Due November 1,	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ 130,000	$ 44,159	$ 44,159	2022	$ 218,318
135,000	42,209	42,209	2023	219,418
145,000	40,184	40,184	2024	225,368
155,000	37,828	37,828	2025	230,656
155,000	35,213	35,213	2026	225,426
155,000	32,403	32,403	2027	219,806
185,000	29,303	29,303	2028	243,606
225,000	25,603	25,603	2029	276,206
225,000	21,047	21,047	2030	267,094
250,000	16,406	16,406	2031	282,812
250,000	11,093	11,093	2032	272,186
250,000	5,630	5,630	2033	261,260
$ 2,260,000	$ 341,078	$ 341,078		$ 2,942,156

The bonds were approved by the Board of Education to be used for the purpose of partially remodeling, furnishing, and refurnishing, equipping and re-equipping school facilities; acquiring, installing and equipping educational technology; purchasing school buses; constructing, equipping, developing and improving athletic facilities and play fields; and developing and improving sites. The bonds will carry interest rates from 3.00% to 4.50%.

MORENCI AREA SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2021

$8,460,000 Refunding Bonds issued in 2017:

Principal Due May 1,	Interest Due May 1,	Interest Due November 1,	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ 750,000	$ 85,500	$ 85,500	2022	$ 921,000
770,000	74,250	74,250	2023	918,500
790,000	62,700	62,700	2024	915,400
810,000	50,850	50,850	2025	911,700
840,000	38,700	38,700	2026	917,400
870,000	26,100	26,100	2027	922,200
870,000	13,050	13,050	2028	896,100
$ 5,700,000	$ 351,150	$ 351,150		$ 6,402,300

The bonds were approved by the Board of Education to be used for the purpose of refunding all or a portion of the District's outstanding 2005 refunding bonds and 2008 building and site bonds. The bonds will carry an interest rate of 3.00%.

MORENCI AREA SCHOOLS
SCHEDULE OF DIRECT BORROWING
REPAYMENT REQUIREMENTS
JUNE 30, 2021

$24,066 Installment Purchase Agreement issued in 2019:

	Principal Due October 23,	Interest Due October 23,	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
2021	$ 8,022	$ 229	2022	$ 8,251

The installment purchase agreement was approved by the Board of Education to be used for the purpose of purchasing a bus for the District. The agreement will carry an interest rate of 2.85%.

MORENCI AREA SCHOOLS
SCHEDULE OF DIRECT BORROWING
REPAYMENT REQUIREMENTS
JUNE 30, 2021

$136,859 Installment Purchase Agreement issued in 2021:

	Principal Due October 25,	Interest Due October 25,	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
2021	$ 27,372	$ 2,246	2022	$ 29,618
2022	27,372	2,080	2023	29,452
2023	27,372	1,560	2024	28,932
2024	27,372	1,040	2025	28,412
2025	27,371	520	2026	27,891
	$ 136,859	$ 7,446		$ 144,305

The installment purchase agreement was approved by the Board of Education to be used for the purpose of purchasing buses for the District. The agreement will carry an interest rate of 1.90%.

MORENCI AREA SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2021

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State under this program have been summarized as follows:

Year Ended June 30,	Loan Proceeds	Interest Expense	Loan Balance (Net Change)
2013	$ 92,137	$ 2,027	$ 94,164
2014	-	3,325	3,325
2015	343,120	9,826	352,946
2016	276,245	20,350	296,595
2017	152,414	27,042	179,456
2018	81,615	29,628	111,243
2019	241,888	37,550	279,438
2020	-	42,308	42,308
2021	-	40,745	40,745
Totals	$ 1,187,419	$ 212,801	$ 1,400,220

MORENCI AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (donated foods)									
National School Lunch Program - Commodities	10.555	N/A	$ 18,361	$ -	$ -	$ -	$ 18,361	$ 18,361	$ -
Cash Assistance									
COVID-19 - National School Lunch Program	10.555	201960-2021	14,460	-	-	-	14,460	14,460	-
COVID-19 - National School Lunch Program		200902-1920	82,978	82,978	-	-	-	82,978	-
			97,438	82,978	-	-	14,460	97,438	-
Total CFDA #10.555			115,799	82,978	-	-	32,821	115,799	-
COVID-19 - National School Breakfast Program	10.553	201970-2021	12,897	-	-	-	12,897	12,897	-
COVID-19 - Summer Food Service Program for Children	10.559	210904-2021	349,929	-	-	-	399,787	375,601	24,186
Total cash assistance			460,264	82,978	-	-	427,144	485,936	24,186
Total Child Nutrition Cluster			478,625	82,978	-	-	445,505	504,297	24,186
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	211530-2021	196,070	-	-	-	82,215	-	82,215
Title I Grants to Local Educational Agencies		201530-1920	138,924	73,706	74,078	186	-	73,892	-
Total CFDA #84.010			334,994	73,706	74,078	186	82,215	73,892	82,215
Supporting Effective Instruction State Grants	84.367	210520-2021	50,183	-	-	-	47,387	-	47,387
Supporting Effective Instruction State Grants		200520-1920	62,195	20,686	30,980	2,177	-	22,863	-
Total CFDA #84.367			112,378	20,686	30,980	2,177	47,387	22,863	47,387
Student Support and Academic Enrichment	84.424	210750-2021	20,000	-	-	-	20,000	-	20,000

The accompanying notes are an integral part of this schedule.

MORENCI AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
U.S. Department of Education (continued)									
Passed through Michigan Department of Education (continued)									
Education Stabilization Fund									
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	203710-2021	$ 110,204	$ -	$ -	$ -	$ 110,204	$ -	$ 110,204
COVID-19 Elementary and Secondary School Governor's Emergency Education Relief Fund (GEER)	84.425D	201200-2021	43,308	-	-	-	43,308	-	43,308
Total CFDA #84.425			153,512	-	-	-	153,512	-	153,512
Total U.S. Department of Education			620,884	94,392	105,058	2,363	303,114	96,755	303,114
U.S. Department of Health and Human Services									
Passed through Lenewee Intermediate School District									
Medicaid Cluster									
Medical Assistance Program	93.778	N/A	2,466	-	-	-	2,466	2,466	-
U.S. Department of Treasury									
Passed through Michigan Department of Education									
COVID-19 Coronavirus Relief Funds	21.019	11(p)	216,941	-	-	-	142,330	216,941	(74,611)
COVID-19 Coronavirus Relief Funds		103(2)	7,636	-	-	-	7,636	7,636	-
Total Passed through Michigan Department of Education			224,577	-	-	-	149,966	224,577	(74,611)
Passed through MAISA/Copper County ISD									
COVID-19 Coronavirus Relief Funds - MiConnect Connectivity Funding	21.019	N/A	16,696	-	-	-	16,696	16,696	-
Total CFDA #21.019			241,273	-	-	-	166,662	241,273	(74,611)
TOTAL FEDERAL AWARDS			$ 1,343,248	$ 177,370	$ 105,058	$ 2,363	$ 917,747	$ 844,791	$ 252,689

The accompanying notes are an integral part of this schedule.

MORENCI AREA SCHOOLS
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Morenci Area Schools 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selection of the operations of Morenci Area Schools, it is not intended to and does not present the financial position or changes in net position of Morenci Area Schools.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown (if any) 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. Morenci Area Schools has elected not to use the 10-percent de minimis indirect cost rage allowed under Uniform Guidance.

Management has utilized the Cash Management System and the Grant Auditor report in preparing the Schedule of Expenditures of Federal Awards. The district does not pass-through awards.

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements for the year ending June 30, 2021:

General fund	$ 524,122
Food service fund	445,505
Total federal revenue in the fund financial statements	969,627
Less: Federal assistance not subject to the single audit act	(51,880)
Expenditures per the schedule of expenditures of federal awards	$ 917,747

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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*

To the Board of Education
Morenci Area Schools

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 Morenci Area Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Morenci Area Schools' basic financial statements and have issued our report thereon dated October 19, 2021.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costerisan PC

October 19, 2021

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

To the Board of Education
Morenci Area Schools

Report on Compliance for Each Major Federal Program

We have audited Morenci Area 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 Morenci Area Schools' major federal programs for the year ended June 30, 2021. Morenci Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Morenci Area 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* (CFR) 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 Morenci Area 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 unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Morenci Area Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Morenci Area 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with are to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

Morenci Area Schools' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of Morenci Area 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 Morenci Area 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 Morenci Area 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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Morenci Area Schools' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of controls and, accordingly, we express no opinion on it.

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.

Maner Costerisan PC

October 19, 2021

MORENCI AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:	*Unmodified*			
Internal control over financial reporting:				
➢ Material weakness(es) identified ?		Yes	X	No
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es) ?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
➢ Material weakness(es) identified:		Yes	X	No
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es) ?	X	Yes		None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*			
Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?	X	Yes		No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, and 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II - Financial Statement Findings

None noted

MORENCI AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Section III - Federal Award Findings and Question Costs

Finding 2021-001

Federal Program:	Child Nutrition Cluster
CFDA #:	10.553, 10.555 and 10.559
Federal Agency:	U.S. Department of Agriculture
Pass-through entity:	Michigan Department of Education
Pass-through number:	201960, 201970, 210904

Criteria: The District's fund balance in the food service fund is required to be less than three months of food service expenditures.

Condition: Morenci Area Schools currently has more than the allowable fund balance in the non-profit food service fund. At year-end, the maximum allowable fund balance was $137,650, and the actual fund balance was $348,768. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during 2021-2022 school year. The plan must be submitted to the Michigan Department of Education prior to implementation.

Context: The District has received a significant increase in federal funding in the food service fund since the start of the pandemic resulting in excess fund balance.

Question Costs: None

Cause: The District participated in the unanticipated closure meal reimbursements from July through June causing a larger than normal increase in the food service fund balance.

Effect: At June 30, 2021, the District's food service fund balance was greater than three months of expenditures.

Recommendation: The District should implement a budget, as well as the required corrective action plan, for the 2021-2022 school year that will adequately reduce the food service fund balance.

District's Response: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Morenci Area Schools

"One Team, One Town, One Family!"

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MORENCI AREA SCHOOLS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021

Morenci Area Schools respectfully submits the following corrective action plan for the year ended June 30, 2021.

Auditor: Maner Costerisan
2425 E. Grand River Ave, Suite 1
Lansing, MI 48912

Audit Period: Year ended June 30, 2021

District Contact Person: Erica Metcalf, Direct of Finance

The findings from the June 30, 2021 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding – Federal Award Finding

Finding 2021-001: Considered a significant deficiency

Recommendation: The District should implement a budget, as well as the required corrective action plan for the 2021-2022 school year that will adequately reduce the food service fund balance.

Action to be Taken: Management agrees with the finding and we are in the process of developing a spend-down plan. We are looking at expanding food choices, expanding healthy food options, as well as needed upgrades to equipment.

MORENCI AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

The District was not subject to Uniform Guidance in the previous year.

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October 19, 2021

To the Board of Education
Morenci Area Schools

In planning and performing our audit of the financial statements of Morenci Area Schools as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Morenci Area Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies have been identified. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 19, 2021 on the financial statements of Morenci Area Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Segregation of Duties

We commend the District for continued improvement in this area. During the fiscal year 2018 audit, we noted that the additional staff member that was added was departing with no clear replacement. During the fiscal year 2019 audit, we found that this staff member was reduced to part time in the business office rather than leaving the position. There has been no change to staffing for the fiscal year 2021 audit. With a limited staff in the business office, it is inherently difficult to achieve adequate segregation of duties.

We recommend continuing to provide support to the business office in order to maintain adequate segregation of duties.

Athletics Controls

During the review of internal control procedures in fiscal year 2019, one of the areas we focused on were the controls surrounding athletic events. We identified recommendations that could be implemented to decrease the risk of misappropriation with the event funds:

Safe Controls Improvements

Currently, there are inadequate safe control procedures in the athletics department. There are no logs kept tracking when the athletics safe is opened or cash is removed or added. Cash tills for events are not signed out of the safe. The safe key is shared with other staff by the athletics director. These current practices provide an opportunity for accidental or intentional misappropriation of cash.

We recommend that when cash is removed or added to the safe, two individuals are present to count the cash and that a log is kept for documentation. Additionally, ticket-takers should sign a form stating that the starter cash that is taken will be returned in full. To properly maintain physical control over cash, the key must be kept by only the athletic director and a key business office staff member.

Ticket Booth Improvements

It is District policy to have two "ticket-takers" in each booth, but we noted that this does not occur consistently. This provides opportunity for improper handling of cash at the booths.

Sale of physical tickets is an excellent way to track the number of attendees to sporting events. There must also be a reconciliation at the end of each event to ensure that cash was collected for all tickets that were distributed and that all cash collected is being turned in to be deposited. Currently, there is not a process in place to determine number of tickets being sold at each sporting event and reconcile that number to the cash collected for deposit.

Tickets are sold at different pricing tiers for adults, students, and seniors. These tickets are sold from the same roll without tracking the number sold at each tier. First and last tickets are not being maintained and various ticket rolls are being used at different times across events. At the end of each event, the till is removed from the gate sales and the remaining cash is assumed to be gate sales.

Ticket Booth Improvements (continued)

We recommend that two "ticket takers" are present in the ticket booth at all times. Tickets could either have one price established for all tickets or a unique ticket roll could be used for each pricing tier. Also, we recommend that first and last tickets are maintained and kept with the reconciliation sheet for each roll used to ensure that cash is being collected for each ticket sold. At the end of each event, the number of tickets sold at each tier can be calculated and reconciled to the total cash collected. One person could count the cash and one person could perform the ticket reconciliation. Each person would then sign off on the ticket reconciliation. Any discrepancies should be noted and resolved immediately. The ticket reconciliation sheet should then be delivered to the business office so that it can be compared to the bank deposit.

During the fiscal year 2021 audit, we noted that these procedures were not implemented due to a delay in sports programs and a delay in students returning to a fully in-person learning all directly related to the COVID-19 pandemic. We recommend that the District consider implementing these changes for the fiscal year ended June 30, 2022.

Board Approval Threshold for Purchases

Upon review of the District accounting policies, we noted that the federal micro-purchase threshold has been increased to $10,000 in-line with the National Defense Authorization Acts (NDAA) which is consistent with the Uniform Guidance. However, the threshold for board approval over general purchases is set at $5,000. While the board can set their approval threshold at any level below the $10,000 federal micro-purchase threshold, a Federal agency may require a District to adhere to the lower threshold. Additionally, there may be less administrative burden if the threshold for general purchases is increased to agree to the federal micro-purchase threshold.

We recommend the District review and update their purchasing policy to match the federal procurement policy guidelines.

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

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC

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October 19, 2021

To the Board of Education
Morenci Area Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morenci Area 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, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Morenci Area Schools are described in Note 1 to the financial statements. During fiscal year 2021, the District implemented Governmental Accounting Standard No. 84, *Fiduciary Activities*. The application of existing policies was not changed during fiscal year 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 financial statements were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences.

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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

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 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 the 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 October 19, 2021.

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 District'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 District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement 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 other supplementary information, which accompany the financial statements but are not RSI. With respect to this other 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 other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Maney Costerisan PC