

Berkley School District

Financial Statements

June 30, 2021



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Berkley School District
Members of the Board of Education and Administration
June 30, 2021

Members of the Board of Education

Keith Logsdon	President
Sheryl Stoddard	Vice President
Mitchell Moses	Treasurer
Roger Blake	Secretary
Ron Justice	Trustee
Sarah Mountain	Trustee
Mike Tripp	Trustee

Administration

Scott Francis	Superintendent
Lawrence Gallagher	Deputy Superintendent – Finance, Facilities and Operations



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Independent Auditors' Report

Management and the Board of Education
Berkley School District

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Berkley School District, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berkley School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021 on our consideration of the Berkley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on the effectiveness of Berkley School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Berkley School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 5, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Berkley School District Management's Discussion and Analysis Year Ended June 30, 2021

This section of the Berkley School District's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement #34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued June 2000. The School District has provided certain comparative data between the fiscal years ended June 30, 2021 and 2020, as required by GASB #34.

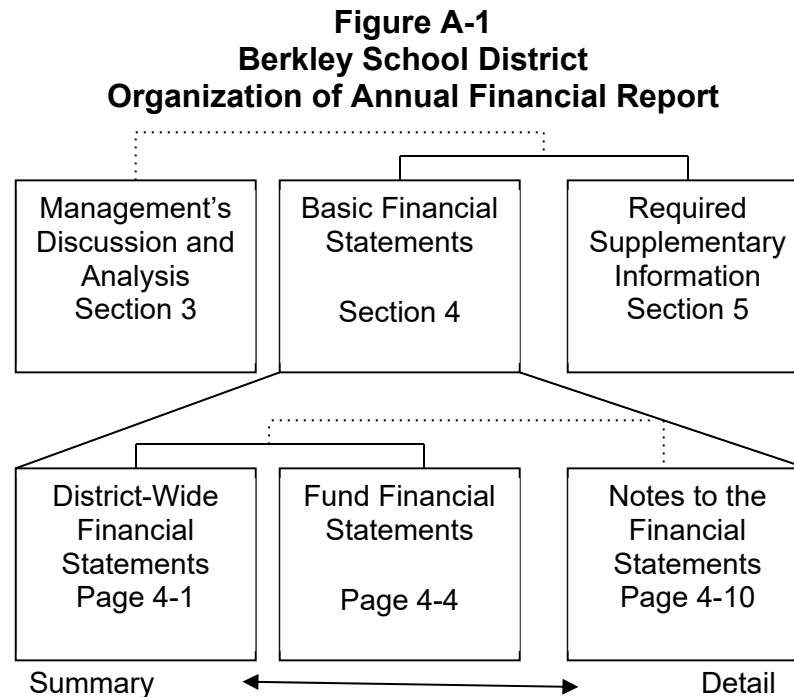
Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Berkley School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds, the General Fund, and Community Services Fund, with all other funds presented in one column as Non-major Governmental Funds. The remaining statement, the "Fiduciary Funds Statement of Assets and Liabilities", presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

The financial report statements also include *Notes* that further explain some of the more significant information in the statements and provide additional, detailed data. The statements are followed by a section of *Required Supplemental Information* that further explains and supports the financial statements with a comparison of the District's original budget and final budget for the 2020-21 fiscal year. The following schedule shows how the various parts of the annual report are arranged and related to one another:

**Berkley School District
Management's Discussion and Analysis
Year Ended June 30, 2021**

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.



One of the most important questions asked about the School District is, “Is the School District as a whole better or worse off financially as a result of the year’s activities?” The Statement of Net Position, which appears first in the School District’s financial statements, reports information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *full 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 School District’s *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position – as one way to measure the School District’s financial health, or *financial position*. Over time, *increases or decreases* in the School’s net position – as reported in the Statement of Activities – is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses is the School District’s *operating results*. However, the School District’s goal is to provide programs and services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education and curriculum provided and the safety of the schools to assess the *overall health* of the School District.

Berkley School District
Management's Discussion and Analysis
Year Ended June 30, 2021

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, food services, community services, as well as capital improvement projects and debt service. Property taxes, foundation allowance revenue, and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most *significant funds* – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (e.g. Food Service Fund, School Services Fund, and Other Capital Projects Fund) or to show that it is meeting legal responsibilities for using certain taxes, and other financial resources (such as taxes received for the retirement of debt from the local taxing entities or for Sinking Fund purposes). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported as governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are greater or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation.

Berkley School District
Management's Discussion and Analysis
Year Ended June 30, 2021

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's restated net assets as of June 30, 2021 and June 30, 2020, respectively:

TABLE 1	Governmental Activities June 30, (in millions)	
	2021	2020
Assets & Deferred Outflows		
Current and other assets	\$ 23.0	\$ 19.2
Capital assets	79.4	81.6
Deferred outflows of resources	43.7	53.5
Total assets and deferred outflows of resources	146.1	154.3
Liabilities		
Current liabilities	\$ 9.7	\$ 9.4
Long-term liabilities	206.8	211.1
Deferred inflows of resources	21.4	20.0
Total liabilities and deferred inflows of resources	237.9	240.4
Net Position		
Net investment in capital assets	27.8	27.8
Restricted for debt retirement	1.0	1.1
Unrestricted	(120.5)	(115.1)
Total net position	\$ (91.8)	\$ (86.2)

The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$91.8) million on June 30, 2021. Capital assets, net of related debt (net investments in capital assets), totaling \$27.8 million compares the original costs, less depreciation of the School District's capital assets to long-term debt, including accrued interest on capital appreciation bonds used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net positions are reported separately to show legal constraints from debt covenants and enabling legislation that prohibit the School District's ability to use those net assets for day-to-day operations. Restricted net assets are for debt service. The remaining (\$120.5 million) of net position was unrestricted. A reconciliation of the difference between changes in net position and changes in fund balance is on page 4-9. In 2020/2021 there is a decrease in net position of \$5.6 million

Berkley School District
Management's Discussion and Analysis
Year Ended June 30, 2021

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year ending June 30, 2021. Comparative numbers for fiscal year ending June 30, 2020, are provided.

TABLE 2	Governmental Activities June 30, (in millions)	
	2021	2020
Revenue		
General revenue:		
Property taxes levied for general purposes	\$ 3.6	\$ 3.3
Property taxes levied for debt services	3.7	4.1
Property taxes levied for sinking fund	3.3	3.3
State aid	45.7	44.5
Other	0.3	0.6
Program revenue:		
Grants and categoricals	21.2	15.7
Charges for services	1.5	2.5
Total revenue	79.4	74.0
Functions/program expenses		
Instruction	53.5	52.7
Supporting services	25.0	24.4
Student and school activities	0.6	0.8
Food services	0.5	0.9
Community services and other	3.3	3.6
Interest and long-term debt	2.0	2.1
Total expenses	85.0	84.5
Change in Net Position	(5.6)	(10.5)
Beginning net position, as restated	(86.2)	(75.7)
Ending net position	\$ (91.8)	\$ (86.2)

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$85.0 million (see 4-3). Certain activities were partially funded from those who benefited from the programs in the amount of \$1.5 million or by other governments and organizations that subsidized certain programs with grants and contributions of \$21.2 million. The District paid for the remaining "public benefit" portion of our governmental activities with \$10.6 million in taxes and other income \$46.0 million from state aid not restricted for specific purposes and other revenues, such as interest and general entitlements.

**Berkley School District
Management's Discussion and Analysis
Year Ended June 30, 2021**

The School District experienced a decrease in net position of \$5.6 million (see 4-3). The major factor contributing to this change includes, but is not limited to, changes in the net position and OPEB liabilities netted against the reduction in bonded debt liability on debt obligations, via the payment of debt service. The decrease in net position differs from the change in fund balance and reconciliation appears on page 4-9.

As discussed above, the net costs show the financial obligation that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

In the following table, we have presented the cost of each of the School District's four largest functions – instruction, supporting services, food services and community services, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial obligation that was placed on the School District's taxpayers by each of these functions. Net costs also include costs related to the net pension liability, OPEB liability, long-term debt and capital assets. These costs are not part of the day-to-day operations of the District. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Net Costs of Berkley School District's Governmental Activities
(In Millions of Dollars)

	Total Cost of Services For the Year Ended,		Percentage Change 2020-2021	Net Cost of Services For the Year Ended,		Percentage Change 2020-2021
	2021	2020		2021	2020	
Instruction	\$ 53.5	\$ 52.7	1%	\$ 36.1	\$ 38.3	-5.7%
Supporting services	25.0	24.4	3%	22.5	24.3	-7.1%
Student and school activities	0.6	0.8	0%	(0.1)	0.0	0.0%
Food services	0.5	0.9	-38%	0.0	0.0	58.1%
Community services	3.3	3.6	-9%	1.6	1.6	0.0%
All others	2.0	2.1	-3%	2.0	2.1	-4.0%
Total	\$ 85.0	\$ 84.5	1%	\$ 62.2	\$ 66.3	-6.2%

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader to consider whether the School District is being accountable for the resources taxpayers and others provide to it, but may also give you more insight into the School District's overall financial health.

**Berkley School District
Management's Discussion and Analysis
Year Ended June 30, 2021**

As the School District completed this year, our governmental funds reported a combined fund balance of \$13.6 million, which is an increase of \$3.5 million from last year. This is due mainly to the following:

- The Covid-19 pandemic and the related Federal and State funding received throughout the year, specifically Coronavirus Relief Funds from the CARES Act and multiple ESSER grants. Additionally, the State provided an 11r per pupil equalization categorical payment for Districts that did not received at least \$450 in ESSER II monies.
- Cost savings were realized from traditional school year levels due to remote instruction through March 19 when in-person instruction resumed for many students. This created less need for supplies, sub costs, conferences, staff travel and special education transportation. Significant PPE and technology purchases for remote instruction were covered under grants specific for Covid-19 expenses as noted above.
- The Community Services Fund collectively summarizes the financial activity included in the following programs/individual funds: Child Care, Latchkey, Durant/Strategic Fund and the Hurley Field activities.

The June 30, 2021 fund balances for the following programs were as follows:

Community services breakout	
Durant / Strategic Planning	\$ 3,815,785
Hurley Field	(16,463)
School Services	<u>(62,580)</u>
Total	<u>\$ 3,736,742</u>

- The Durant/MAISL Strategic Planning Fund balance increased by \$701,177 from 2019-20 mainly due to a planned transfer of \$700,000 from the General Fund made available in part due to financial impact referenced above involving pandemic funding and school operations savings related to remote learning for the majority of the school year. The District is planning how to optimally structure Durant/MAISL resources to support key initiatives involving teaching and learning, and other key initiatives as part of the work related with updating its long range Strategic Plan. The Hurley Field Fund experienced a dip in fund balance as expenditures exceeded revenues by \$10,923 due to closures related to Covid-19. While there were nominal rentals during the year ended June 30, 2021, the District will permit certain rentals in the 2021-22 school year as Covid-19 protocols and governing guidelines and requirements allow. The Berkley Building Blocks (BBB, Child Care) program's (School Services) fund balance increased by a net of \$1,077,750. Moving parts impacting this improved fund balance result begin with an operating loss of (\$799,250) due to significantly less tuition revenue related to limited class sizes driven by Executive Orders and Covid-19 limitations on class size; the struggle to find qualified staffing in the competitive environment was a contributing factor as well. The District's General Fund supported the Child Care programs with a planned revenue transfer of \$1,877,000 in a concerted effort to erase the combined prior year and estimated 2020-21 program deficit and allow the program a fresh financial start to then support itself with future program revenues. The District/BBB program is on track to get out of deficit in 2021-22 based on current enrollment capacities, aligned tuition and compensation schedules and qualified, talented staffing in place for the 2021-22 school year.

**Berkley School District
Management's Discussion and Analysis
Year Ended June 30, 2021**

The June 30, 2021 fund balance figures for the component funds/programs comprising the general Non-major Governmental Funds were as follows:

Food Service Fund	\$	42,980
Student/School Activity Fund		699,005
Debt Service Fund		1,327,373
Capital Projects Fund		24,988
Sinking Fund		<u>(528,722)</u>
 Total	 \$	 <u>1,565,624</u>

- The Non-major Governmental Funds include the Food Service Fund, Student/School Activity Fund, Debt Service Fund, 2015 Capital Projects Fund, Other Capital Projects and the Sinking Fund. The Food Service Fund realized an operating deficiency of (\$11,211) which was the net result of reimbursement rates for the Food Service program higher year over year netted against the cost of food and labor combined with remote learning through March, 2021 that impacted participation.. The District continued to serve all children in the school community under 18 who requested meals during this period under the Unanticipated School Closure Summer Feeding Program waivers issued by the Michigan Department of Education and will continue to serve students free meals during the 2021-22 school year as the federal/state funding programs allow. The Student/School Activity Fund realized an increase in fund balance of \$71,304 due to general changes in spending of the respective club/athletic group. The Debt Service Fund recorded expenditures exceeding revenues of (\$111,677) resulting from planned tax revenue and modestly lower principal and interest payments as outstanding bond obligations are being retired. The 2015 Capital Projects Fund decreased its fund balance to \$0 as the 2015 Bond projects have been fully completed. The Other Capital Projects (OCP) Fund ended fiscal 2020-21 with a modest fund balance of \$24,988 due to Covid-19 related grants that were able to cover certain technology expenses that otherwise would have been charged to the OCP. The Sinking Fund revenues exceeded expenditures by \$289,508, chipping away at the operating deficit that sits at (\$528,723) as of June 30, 2021. Timing of District projects, some of which start and incur expenditures prior to the fiscal year within which they are budgeted, most notably the Anderson Middle School addition, and in prior years projects funded with Sinking Fund resources including playground improvements, roofing, traffic flow and paving, some support and other site improvements have contributed to this fund deficit. The District's planned expenditures within the 2022-23 fiscal year will likely address the Sinking Fund deficit. A planned allocation recognizing a reserve toward future technology devices and infrastructure support costs of \$50,000 in each of the first two years of the Sinking Fund (2019-20 and 2020-21) totaling \$100,000 is not able to be committed within the Sinking Fund's fund deficit as of June 30, 2021 but will be recognized administratively and recorded when available financial resources within the Fund allow. As noted above, the District's projections show that the fund should be out of deficit by 2021-22 assuming that projects begin and end according to projections.

**Berkley School District
Management's Discussion and Analysis
Year Ended June 30, 2021**

General Fund Budgetary Highlights

Over the course of the year, the School District revised its budget to reflect material adjustments or unexpected changes in budgeted revenues and expenditures. A schedule (page 5-1) showing the School District's original and final budget amounts compared with amounts actually received and paid is provided in our annual report.

The Stay at Home Executive Order requiring the extended school closure due to the COVID-19 pandemic and other governing State and Health Department guidelines considerably impacted both revenues and expenditures throughout the school year and brought many uncertainties to the budgeting process. The Business Office closely tracked budget savings related to lower transportation, supply, conference, utilities and substitutes costs among others while it monitored changes in revenues involving lower interest rates and athletic revenues, among other revenue variables while considering the State's somewhat uncertain fiscal budget, particularly early in the 2020-21 school year. With this backdrop the District took the approach that only potentially significant budget overages/negative variances, known payroll changes and grant related items would be reflected as adjustments within the formal, final amendment. To review both the General Fund's 2020-21 "amended" and "estimated" year-end operating budget projections, please refer to the General Appropriations Resolution document (available on the Berkley School District transparency page – "Fiscal Year 2020-21 Board Approved Budget").

Some of the material revisions made to the 2020-21 General Fund original budget are outlined below.

Budgeted Revenues and Other Financial Sources were increased by \$9,484,184 from the original budget to the final budget primarily due to the following significant changes:

- Recognition of Covid-19 CARES Act funding of \$2,800,000 that was received and recognized during the year
- Recognition of nearly \$1,800,000 in ESSER per pupil equalization payments from the State of Michigan
- Increase in state aid – foundation allowance revenue, initial budget called for (\$650) reduction to per pupil, actual was flat - \$3,800,000
- Increase in state aid – categorical (e.g. 11d), stabilization revenues \$824,000
- Noteworthy - while not a reconciling item between original to final budget, it is worth noting that \$844,000 of ESSER II funding, budgeted to be received in 2020-21, was not made available by the State/MDE until after such time that did not allow it to be recognized this fiscal year. It will be budgeted for and recorded as revenue within the 2021-22 school year.

Budgeted Expenditures and Other Financial Uses were increased (\$6,975,063) due primarily to the following significant changes:

- Transfers to the Community Services Fund to support the Berkley Building Blocks program and Durant/Strategic Fund - \$2,577,000
- Increase staffing costs/expenditures associated with additional pandemic revenues while recognizing operational savings - \$4,300,000

**Berkley School District
Management's Discussion and Analysis
Year Ended June 30, 2021**

Community Services Fund Budgetary Highlights

Over the course of the year, the School District reviews and revises its budget to reflect material adjustments or unexpected changes in budgeted revenues and expenditures. Revisions to the Community Services Fund in June followed the same rationale described for the General Fund (see 3-10) as all adjustments to revenues and expenditures were closely monitored and tracked, but the Fund's budget was only formally revised for certain high level items that otherwise if left unadjusted would cause a potential overage/negative budget variance. To review where the District's administration projected/estimated to be within the Community Services Fund at the close of fiscal 2020-21, please refer to the "2020-21 Estimated Results" column of the 2021-22 General Appropriations Resolution/Budget (available on the Berkley School District transparency page - "Fiscal Year 2021-22 Board Approved Budget"). A schedule (page 5-2) showing the School District's original and final budget amounts compared with amounts actually received and paid is provided in this audited annual report.

Some of the material revisions made to the 2020-21 Community Services Fund original budget are outlined below.

Budgeted revenues and Other Financing Sources were increased by \$2,577,000 from the original budget to final budget to recognize transfers from the General Fund to support the Berkley Building Blocks program and address the prior year cumulative and current year deficits along with adding key funds to build Durant/Strategic Fund principal for longer term initiatives.

Budgeted expenditures and Other Financial Uses were unchanged from the original budget based on the rationale described above.

Capital Asset and Debt Administration

Capital Assets

The District's net investments in capital assets decreased during the year by \$2,209,564 which is summarized below (see Note 4):

	Capital Assets	
	Year Ended June 30,	
	2021	2020
Land	\$ 279,140	\$ 279,140
Construction in progress	1,454,740	743,817
Building and site improvements	77,272,243	80,115,569
Furniture and equipment	348,176	417,669
Vehicles	60,172	67,840
Net capital assets	\$ 79,414,471	\$ 81,624,035

Changes to net Capital Assets mainly involved normal depreciation and removing assets that were replaced via Bond and Other Capital Projects.

**Berkley School District
Management’s Discussion and Analysis
Year Ended June 30, 2021**

Debt

At the end of the 2020-2021 fiscal year, the School District had \$49.0 million in bonds outstanding compared to \$50.6 million last fiscal year, a decrease of \$1.6 million or 3.2% (see Note 7 for additional components of debt).

	Outstanding Debt Year Ended June 30,	
	2021	2020
General obligation bonds	\$ 49,030,000	\$ 50,635,000

The state limits the amount of general obligation debt that schools can issue to 15 percent of the state equalized value of all taxable property within the School District’s boundaries. All district debt is state qualified bonds and accordingly, exempt from this provision.

Other obligations include accrued compensated absences and earned severance commitments. There is additional information about the District’s long-term liabilities in the Notes to the Financial Statements (see Note 7 and 8 in Section 4 of these statements).

Other Key Information, Economic Factors and Next Year’s (2021-22) Budget Notes:

At the time these financial statements were prepared and audited, the District was aware of pending matters that *may* or *likely will* influence the financial health of the District. Key items of information are offered as well:

- Due to the improved economic environment within the State and the most readily available revenue information provided via the State of Michigan’s May, 2021 Consensus Revenue Estimating Conference (CREC), the District budgeted an increase in its per pupil foundation allowance by \$125. The State has since held an unprecedented August CREC and reported that the State’s General Fund and School Aid Fund financial budgets are in better shape than anticipated when the District’s budget was adopted due to significantly improved sales and income tax revenues. Based on this development and related information, the District now anticipates that its foundation allowance per pupil revenue will increase by \$200, moving the District’s foundation allowance from \$8,500 to \$8,700 in 2021-22. This change will be included within the first amendment to the General Operating Fund budget.
- The budget assumed a \$414,000 increase to property tax revenues due to an increase in taxable values.
- The 2021-21 budget as adopted assumed full time equivalent students totaling 5,872 factoring in the elimination of the MDE’s “super blend” enrollment calculation for 2021-22. In-District and Shared Time program enrollment will be monitored early in the school year to determine any significant variance involving the student enrollment budgeted number. Early school year reports appear to indicate a reduction to in-District student count from budget, potentially to be offset by a solid growth within the Shared Time program. The results of the official count date (October 6, 2021) will provide more insight into this key revenue variable.
- The District has collective bargaining agreements in place with all major employee groups.

**Berkley School District
Management's Discussion and Analysis
Year Ended June 30, 2021**

- The District continues to rely on its “Shared-Time” program and with a continued focus on generating revenues in this budget environment, proactively expanded partnerships, now including 41 non-public schools heading into the 2021-21 school year. The District will continue to advocate at the state level for the continuation of this key program.
- The District, led by Superintendent Francis has resumed, after a pause caused by the pandemic, the work of updating its tool for strategic/long-range planning and anticipates completing the Plan and communicating details to the community and staff this school year. The Strategic Plan will then serve as a key roadmap for continued progress moving forward.
- The Board of Education and District administration are very thankful and appreciative for the continued support of the community via the 3 mill Sinking Fund, as we move into the third year of a 10-year levy. These resources have and will continue to support significant facilities and technology improvements captured within the District’s updated Assessment document. The soon to be completed Anderson Middle School multi-purpose/cafeteria space is a key example of the solid investment made possible by the Community's support!
- The District continues to work within a third party administrator arrangement to provide substitute teachers, teacher assistants, support staff substitutes, coaching staff and lunch aide services, saving significant dollars.
- The District’s June 30, 2021 General Fund balance adjusted to exclude restricted state revenues, as allowed under the State of Michigan’s guidelines, is 15.7% of total 2020-21 actual revenues. The “traditional” method to calculate fund balance results in a 12.0% figure.
- Additional revenue sources and opportunities, similar to known ESSER I, II and III funding will continue to be monitored and pursued during the 2021-22 school year when it is deemed in the best interest of Berkley Schools to do so.

Our Board of Education members and administration monitor the budget very closely and take steps to balance revenues and expenditures to meet the fiscal responsibilities for their taxpayers, citizens, investors, and creditors. The Board Finance Committee and Cabinet will convene throughout the school year to monitor developments that occur which impact District finances. Significant changes in the financial picture will be reflected in the District’s moving three-year projection to gauge the overall impact on the District’s budget. This close scrutiny has resulted in year over year increases to our fund balance among other positive results.

Instructional Program and Other Highlights

The District is very proud of the outstanding educational program offered to our students. The following are just some of our highlights:

- 26 combined Advanced Placement courses offered to Berkley High School students
- 70% of BHS students take at least one AP course
- 14% of BHS juniors and seniors are enrolled in vocational classes
- Center for the Advanced Studies and the Arts (CASA) for Berkley High School students
- International Academy (IA) participating district
- International Baccalaureate School designation for Norup International K-8 School

**Berkley School District
Management's Discussion and Analysis
Year Ended June 30, 2021**

- The District reached a ratio of 1:1 students to computer devices in the Fall, 2021
- Professional Learning Communities/District "Thinc" Teams for improving student achievement by grade and content area
- Differentiated instruction K-12
- Content resources and Common Core State Standards aligned curriculum in all core areas in the past five years
- Data analysis software for student assessments (Illuminate)
- All day Kindergarten for all, and Transitional Kindergarten
- Presentation technology placed throughout the District's classrooms and media centers; carts for visually impaired, interactive whiteboards, document cameras
- Multiple static and mobile computer labs across the district
- Online credit opportunities for Berkley High School students
- Full workshop model for reading and writing (K-8)
- NCA Accredited District
- Best High Schools list as noted by U.S. News and World Report
- Connected Math Project (CMP3) all middle school grades; Algebra I equivalent for 8th graders
- 43% of the Class of 2021 graduating seniors who applied to the University of Michigan were accepted. 87% of the Class of 2021 seniors who applied to Michigan State University were accepted.
- Summer Drama Camp offered to grades 6-12
- Saturdays for Success academic support for K-12 students
- Sources of Strength program supports the social and emotional needs of our Berkley High students, first in Michigan to adopt
- Full K-12 Multi Tiered Systems of Support (MTSS) for social/emotional and academic support
- Robotics classes in middle school
- Lego Robotics clubs in elementary schools
- Named a Best Community for Music Education 2012- through 2021
- Community passed Bond Initiative in 2015 and Sinking Fund initiative in 2019 to enhance District infrastructure and technology
- Berkley School District ranked in top 25 districts in the State of Michigan by Niche
- Berkley High School named a College Success Award winner for the 4th year in a row (2021)

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it receives. If you have any questions about this report or need additional information, contact Lawrence J. Gallagher, Deputy Superintendent of Finance, Facilities and Operations for the Berkley School District, 14501 Talbot St., Oak Park, MI 48237.

BASIC FINANCIAL STATEMENTS

Berkley School District
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash	\$ 551,013
Investments	10,699,211
Taxes receivable	6,361
Accounts receivable	118,243
Due from other governmental units	11,524,680
Inventory	7,515
Prepaid items	82,315
Capital assets not being depreciated	1,733,880
Capital assets - net of accumulated depreciation	<u>77,680,591</u>
 Total assets	 <u>102,403,809</u>
 Deferred outflows of resources	
Deferred amount relating to net pension liability	32,343,621
Deferred amount relating to net OPEB liability	<u>11,398,661</u>
 Total deferred outflows of resources	 <u>43,742,282</u>

See Accompanying Notes to the Financial Statements

Berkley School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Liabilities	
Accounts payable	\$ 887,320
Due to other governmental units	3,293,624
Payroll deductions and withholdings	185,543
Accrued expenditures	348,311
Accrued salaries payable	4,549,526
Unearned revenue	439,824
Long-term liabilities	
Debt due within one year	2,091,684
Debt due in more than one year	50,894,811
Net pension liability	133,204,151
Net OPEB liability	20,567,879
Total liabilities	216,462,673
Deferred inflows of resources	
Deferred amount relating to net pension liability	5,387,910
Deferred amount relating to net OPEB liability	16,049,460
Total deferred inflows of resources	21,437,370
Net Position	
Net investment in capital assets	27,769,534
Restricted for	
Debt service	979,062
Unrestricted (deficit)	(120,502,548)
Total net position	\$ (91,753,952)

See Accompanying Notes to the Financial Statements

Berkley School District
Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs					
Governmental activities					
Instruction	\$ 53,513,455	\$ 51,994	\$ 17,350,156	\$ -	\$ (36,111,305)
Supporting services	25,020,331	-	2,485,719	-	(22,534,612)
Student and school activities	608,697	-	680,001	-	71,304
Food services	527,959	9,353	469,518	-	(49,088)
Community services	3,291,678	1,458,855	262,825	-	(1,569,998)
Interest and fiscal charges on long-term debt	2,014,822	-	-	-	(2,014,822)
Total governmental activities	\$ 84,976,942	\$ 1,520,202	\$ 21,248,219	\$ -	(62,208,521)
General revenues					
					3,612,760
					3,681,611
					3,340,832
					45,712,099
					2,214
					284,877
Total general revenues					56,634,393
Change in net position					(5,574,128)
Net position - beginning					(86,179,824)
Net position - ending					\$ (91,753,952)

See Accompanying Notes to the Financial Statements

Berkley School District
Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Community Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 250,593	\$ -	\$ 300,420	\$ 551,013
Investments	6,601,433	3,323,679	774,099	10,699,211
Taxes receivable	-	-	6,361	6,361
Accounts receivable	117,064	1,179	-	118,243
Due from other governmental units	11,479,066	-	45,614	11,524,680
Due from other funds	200,466	449,403	1,286,713	1,936,582
Inventory	-	-	7,515	7,515
Prepaid items	82,315	-	-	82,315
	<u>18,730,937</u>	<u>3,774,261</u>	<u>2,420,722</u>	<u>24,925,920</u>
Total assets	<u>\$ 18,730,937</u>	<u>\$ 3,774,261</u>	<u>\$ 2,420,722</u>	<u>\$ 24,925,920</u>
Liabilities				
Accounts payable	\$ 289,671	\$ 7,653	\$ 589,996	\$ 887,320
Accrued salaries payable	4,521,636	27,890	-	4,549,526
Due to other funds	1,736,116	-	200,466	1,936,582
Due to other governmental units	3,293,624	-	-	3,293,624
Payroll deductions and withholdings	185,543	-	-	185,543
Unearned revenue	373,212	1,976	64,636	439,824
	<u>10,399,802</u>	<u>37,519</u>	<u>855,098</u>	<u>11,292,419</u>
Total liabilities	<u>10,399,802</u>	<u>37,519</u>	<u>855,098</u>	<u>11,292,419</u>

See Accompanying Notes to the Financial Statements

Berkley School District
Governmental Funds
Balance Sheet
June 30, 2021

	<u>General Fund</u>	<u>Community Services Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances				
Non-spendable				
Inventory	\$ -	\$ -	\$ 7,515	\$ 7,515
Prepaid Items	82,315	-	-	82,315
Restricted for				
Food Service	-	-	35,465	35,465
Debt Service	-	-	1,327,373	1,327,373
Committed for				
Community Services	-	3,736,742	-	3,736,742
School/Student activities	-	-	699,005	699,005
Per Pupil Carryover Budget	142,000	-	-	142,000
Fund Balance Sharing	40,000	-	-	40,000
Shared Time Supported Programs	4,090,704	-	-	4,090,704
Assigned				
Capital projects	-	-	24,988	24,988
Unassigned	<u>3,976,116</u>	<u>-</u>	<u>(528,722)</u>	<u>3,447,394</u>
 Total fund balance	 <u>8,331,135</u>	 <u>3,736,742</u>	 <u>1,565,624</u>	 <u>13,633,501</u>
 Total liabilities and fund balance	 <u>\$ 18,730,937</u>	 <u>\$ 3,774,261</u>	 <u>\$ 2,420,722</u>	 <u>\$ 24,925,920</u>

See Accompanying Notes to the Financial Statements

Berkley School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2021

Total fund balances for governmental funds	\$ 13,633,501
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,733,880
Capital assets - net of accumulated depreciation	77,680,591
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(5,387,910)
Deferred inflows of resources resulting from net OPEB liability	(16,049,460)
Deferred outflows of resources resulting from net pension liability	32,343,621
Deferred outflows of resources resulting from net OPEB liability	11,398,661
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(348,311)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(1,845,292)
Capital leases	(103,106)
Bonds payable	(51,038,097)
Net pension liability	(133,204,151)
Net OPEB liability	<u>(20,567,879)</u>
Net position of governmental activities	<u>\$ (91,753,952)</u>

Berkley School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Community Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 4,006,154	\$ 1,375,649	\$ 7,740,694	\$ 13,122,497
State sources	57,599,203	-	28,910	57,628,113
Federal sources	4,426,799	262,825	440,608	5,130,232
Interdistrict sources	3,521,972	-	-	3,521,972
Total revenues	69,554,128	1,638,474	8,210,212	79,402,814
Expenditures				
Current				
Education				
Instruction	44,386,301	-	-	44,386,301
Supporting services	20,757,737	-	-	20,757,737
Student and school activities	-	-	608,697	608,697
Food services	-	-	490,084	490,084
Community services	283,420	2,447,470	-	2,730,890
Capital outlay	-	-	3,120,881	3,120,881
Debt service				
Principal	-	-	1,605,000	1,605,000
Interest and other expenditures	-	-	2,217,056	2,217,056
Total expenditures	65,427,458	2,447,470	8,041,718	75,916,646
Excess (deficiency) of revenues over expenditures	4,126,670	(808,996)	168,494	3,486,168

See Accompanying Notes to the Financial Statements

Berkley School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Community Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 2,577,000	\$ 75,000	\$ 2,652,000
Transfers out	<u>(2,652,000)</u>	<u>-</u>	<u>-</u>	<u>(2,652,000)</u>
Total other financing sources (uses)	<u>(2,652,000)</u>	<u>2,577,000</u>	<u>75,000</u>	<u>-</u>
Net change in fund balance	1,474,670	1,768,004	243,494	3,486,168
Fund balance - beginning	<u>6,856,465</u>	<u>1,968,738</u>	<u>1,322,130</u>	<u>10,147,333</u>
Fund balance - ending	<u>\$ 8,331,135</u>	<u>\$ 3,736,742</u>	<u>\$ 1,565,624</u>	<u>\$ 13,633,501</u>

See Accompanying Notes to the Financial Statements

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

Net change in fund balances - Total governmental funds	\$ 3,486,168
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(4,164,050)
Capital outlay	1,966,929
Loss on sale of capital assets	(12,443)
Expenses are recorded when incurred in the statement of activities.	
Interest	13,084
Compensated absences	70,815
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(5,268,575)
Net change in the deferrals of resources related to the net pension liability	(6,355,330)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	7,705,199
Net change in the deferrals of resources related to the net OPEB liability	(4,844,664)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. 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. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities	
Repayments of long-term debt	1,639,589
Amortization of premium on bonds	189,150
Change in net position of governmental activities	\$ <u>(5,574,128)</u>

See Accompanying Notes to the Financial Statements

Berkley School District
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Berkley School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Berkley School District
Notes to the Financial Statements
June 30, 2021

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

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Community Services Fund – The Community Services Fund is used to record all transactions associated with Berkley Building Blocks, Latchkey, Community Education, Fitness Center and Hurley Field. The Community Services Fund also contains the Durant Fund.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District’s Special Revenue Funds include the Food Service Fund and School/Student Activity Fund. The School/Student Activity Fund is used to record the transactions of student groups for school and school-related purposes.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the expenditures specifically designated for acquiring new school sites, construction or repair of school buildings. The Other Capital Projects Fund is used for capital and technology purchases using funds transferred from the General Fund. The 2015 Capital Projects Fund

is used to record all transactions associated with the 2015 Building and Site Bonds.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2021, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	3.20000
Sinking Fund	2.90380

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. All of the School District’s tax roll lies within Oakland County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property

Berkley School District
Notes to the Financial Statements
June 30, 2021

taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

Due from other governmental units is made up of various federal, state and local intergovernmental receivables, the majority of which is the July and August state aid payments receivable.

Investments – Investments are stated at fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed, although significant amounts of inventory are capitalized at year end.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Land costs are included in the building cost and not material to the financial statements overall. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 -50 years
Site improvements	10 -20 years
Equipment and furniture	5 -20 years
Buses and other vehicles	8 -10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The District's compensated absences include unused vacation and sick days, severance pay and special termination benefits. Compensated absences are reported as liabilities in the district-wide statement of net position.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Berkley School District
Notes to the Financial Statements
June 30, 2021

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

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and

amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for a specific purpose. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

Berkley School District
Notes to the Financial Statements
June 30, 2021

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the School District's 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 an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the School District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred

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compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the

function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 37,155,068	\$ 37,177,094	\$ 22,026
Business	938,305	1,021,336	83,031
Food service Fund	458,851	490,084	31,233
Community Service Fund	2,404,415	2,447,470	43,055

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Sinking Fund Deficit

The sinking fund had a deficit as of June 30, 2021 of \$528,722. The deficit is due to the timing of capital improvements being completed throughout the School District in excess of the revenues created by the millage.

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Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

Cash	\$	551,013
Investments		10,699,211
		\$ 11,250,224

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$	551,013
Investments in securities, mutual funds, and similar vehicles		10,699,211
Total		\$ 11,250,224

As of year-end, the School District had the following investment:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	\$ 1,120,039	34 months average	AAAm	Standard and Poor's
Comerica - Govt Cash Investments	9,579,172	6 months average	Unrated	
	\$ 10,699,211			

The valuation method for investments measured at net asset value (NAV) per share is discussed below.

As of June 30, 2021, the net asset value of the School District's investment in MILAF + Portfolio was \$1,120,039. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions

under normal operating conditions. There are no limits to the number of redemptions that can be made provided the School District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Berkley School District
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Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$80,289 of the School District’s bank balance of \$551,010 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year-end, none of the School District’s investments were exposed to custodial credit risk.

Note 3 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2021:

- Government cash investments of \$9,579,172 million are valued using a matrix pricing model (Level 2 inputs)

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 279,140	\$ -	\$ -	\$ 279,140
Construction in progress	<u>743,817</u>	<u>1,966,929</u>	<u>1,256,006</u>	<u>1,454,740</u>
Total capital assets not being depreciated	<u>1,022,957</u>	<u>1,966,929</u>	<u>1,256,006</u>	<u>1,733,880</u>
Capital assets being depreciated				
Buildings and additions	118,466,627	1,256,006	614,718	119,107,915
Equipment and furniture	1,606,936	-	510,961	1,095,975
Vehicles	<u>165,051</u>	<u>-</u>	<u>-</u>	<u>165,051</u>
Total capital assets being depreciated	<u>120,238,614</u>	<u>1,256,006</u>	<u>1,125,679</u>	<u>120,368,941</u>
Less accumulated depreciation for				
Buildings and additions	38,351,058	4,093,186	608,572	41,835,672
Equipment and furniture	1,189,267	63,196	504,664	747,799
Vehicles	<u>97,211</u>	<u>7,668</u>	<u>-</u>	<u>104,879</u>
Total accumulated depreciation	<u>39,637,536</u>	<u>4,164,050</u>	<u>1,113,236</u>	<u>42,688,350</u>
Net capital assets being depreciated	<u>80,601,078</u>	<u>(2,908,044)</u>	<u>12,443</u>	<u>77,680,591</u>
Net capital assets	<u>\$ 81,624,035</u>	<u>\$ (941,115)</u>	<u>\$ 1,268,449</u>	<u>\$ 79,414,471</u>

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

Governmental activities	
Instruction	\$ 2,703,528
Support services	1,264,335
Food services	29,851
Community services	<u>166,336</u>
Total governmental activities	<u>\$ 4,164,050</u>

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Construction Commitments

The School District has active construction projects as of June 30, 2021. At year end, the School District's commitment with contractors is as follows:

Project	Total Contract	Construction Commitment at Year End
AMS Building Addition	\$ 3,400,000	\$ 1,951,874

Note 5 - Interfund Receivable and Payable Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund		
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
General Fund	\$ -	\$ 200,466	\$ 200,466
Community Services Fund	449,403	-	449,403
Nonmajor Governmental Funds	1,286,713	-	1,286,713
	<u>\$ 1,736,116</u>	<u>\$ 200,466</u>	<u>\$ 1,936,582</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	<u>Transfers Out</u>
	General Fund
Transfers in	
Community Services Fund	\$ 2,577,000
Nonmajor governmental funds	75,000
	<u>\$ 2,652,000</u>

A General Fund transfer of \$1,877,000 was made to the Community Services Fund to support the Berkley Building Blocks program deficits, and a second transfer of \$700,000 was made to support the Durant Strategic Fund. A General Fund transfer of \$75,000 was made to the Other Capital Improvements Fund to help fund capital projects and technology purchases.

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 361,127
Summer school prepaid accounts	12,085
Childcare prepaid accounts	1,976
Food service prepaid accounts	64,636
Total	<u>\$ 439,824</u>

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Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General obligation bonds	\$ 50,635,000	\$ -	\$ 1,605,000	\$ 49,030,000	\$ 1,685,000
Premium on bonds	2,197,247	-	189,150	2,008,097	182,303
Total bonds payable	<u>52,832,247</u>	<u>-</u>	<u>1,794,150</u>	<u>51,038,097</u>	<u>1,867,303</u>
Other Liabilities					
Capital lease	137,695	-	34,589	103,106	34,589
Compensated absences	1,916,107	118,977	189,792	1,845,292	189,792
Total other liabilities	<u>2,053,802</u>	<u>118,977</u>	<u>224,381</u>	<u>1,948,398</u>	<u>224,381</u>
Total	<u>\$ 54,886,049</u>	<u>\$ 118,977</u>	<u>\$ 2,018,531</u>	<u>\$ 52,986,495</u>	<u>\$ 2,091,684</u>

For governmental activities, compensated absences, retirement incentives and capital leases are primarily liquidated by the general fund.

General obligation bonds payable at year end, consist of the following:

2015 serial bond due in annual installments of \$630,000 to \$3,655,000 through May 2040, interest at 3.15 - 5.00%	<u>\$ 49,030,000</u>
--	----------------------

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2022	\$ 1,685,000	\$ 2,136,306	\$ 3,821,306
2023	1,770,000	2,052,056	3,822,056
2024	1,860,000	1,963,556	3,823,556
2025	1,950,000	1,870,556	3,820,556
2026	2,050,000	1,773,056	3,823,056
2027 - 2031	11,515,000	7,604,342	19,119,342
2032 - 2036	14,375,000	4,723,124	19,098,124
2037 - 2040	13,825,000	1,408,800	15,233,800
Total	<u>\$ 49,030,000</u>	<u>\$23,531,796</u>	<u>\$72,561,796</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the fund had a balance of \$1,327,373. Future debt and interest will be payable from future tax levies.

Compensated Absence

Accrued compensated absences at year end, consist of accrued sick and severance. There was \$271,680 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year. The School District has a contractual severance obligation with its employees of 1% of base salary at the time of retirement. As of June 30, 2021 the anticipated severance amounted to \$1,573,612. The amount due within one year is determined as the amounts already scheduled to be paid in the next year. Future long-term payments are unknown as payments are based on retirees in the given year.

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Interest Expenditures

Interest expenditures for the fiscal year in the Debt Service Fund were \$2,217,056.

Capital Leases

The School District has a capital lease for copiers. The future minimum lease payments are as follows:

Year Ending June 30,	
2022	34,589
2023	34,589
2024	<u>33,928</u>
Total minimum lease payments	103,106
Less amount representing interest	<u>10,412</u>
Present value of minimum lease payments	<u>\$ 92,694</u>

The assets acquired through capital leases are as follows:

Assets	
Machinery and equipment	\$ 172,283
Less accumulated depreciation	<u>80,399</u>
Total	<u>\$ 91,884</u>

Risk Management

The School District is exposed to various risks of loss related to theft of, damage to, and destruction of assets, injuries to employees and natural disasters. For its general property and liability insurance coverage, the School District is a participant in the Metropolitan Association for Improved School Legislation Joint Risk Management Trust (MAISL), a public entity risk pool for the benefit of various school districts located in the metropolitan area. The School District pays an annual premium to

MAISL for this liability coverage. MAISL is considered a self-sustaining risk pool that will provide coverage for its members for up to \$400,000 per insured event. MAISL obtains unlimited independent coverage for insured events in excess of the \$400,000 limit. For its workers' compensation insurance coverage, the School District is a participant in the MAISL Worker's Compensation Fund, a public entity risk pool for the benefit of various school districts located in the metropolitan area. The School District pays an annual premium to MAISL and coverage is provided for up to \$400,000 per insured event. MAISL obtains unlimited independent coverage for insured events in excess of the \$400,000 limit.

Note 8 - Pension Plan

Plan Description

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State

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Treasurer serves as the investment officer and custodian for the System.

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is

called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

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

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	13.39 - 19.41%
Member Investment Plan	3.0 - 7.0%	13.39 - 19.41%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$10,656,499 for the year ending September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$133,204,151 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was .3878 percent, which was an increase of .0015 percent from its proportion measured as of September 30, 2019.

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For the plan year ending September 30, 2020, the School District recognized pension expense of \$22,342,651 for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total pension contribution expense of \$12,774,993.

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 2,035,250	\$ (284,305)	\$ 1,750,945
Changes of assumptions	14,760,304	-	14,760,304
Net difference between projected and actual earnings on pension plan investments	559,664	-	559,664
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>4,224,212</u>	<u>(103,365)</u>	<u>4,120,847</u>
Total to be recognized in future	21,579,430	(387,670)	21,191,760
School District contributions subsequent to the measurement date	<u>10,764,191</u>	<u>(5,000,240)</u>	<u>5,763,951</u>
Total	<u>\$ 32,343,621</u>	<u>\$ (5,387,910)</u>	<u>\$26,955,711</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The School District will offset the contribution expense in the year ended June 30, 2022 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources.

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

Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2021	\$ 9,929,357
2022	6,873,243
2023	3,449,604
2024	<u>939,556</u>
	<u>\$ 21,191,760</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.80% net of investment expenses
 - Pension Plus Plan: 6.80% net of investment expenses

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4892 years.

Recognition period for assets in years is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each

major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

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

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

Rate of Return

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

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions

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will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 172,410,177	\$ 133,204,151	\$ 100,711,094

**The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

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

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

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

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 9 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

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

Berkley School District
Notes to the Financial Statements
June 30, 2021

Benefits Provided

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and

becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

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

Berkley School District
Notes to the Financial Statements
June 30, 2021

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

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$2,712,524 for the year ended September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$20,567,879 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was .3839 percent, which was an decrease of .0100 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020, the total OPEB expense for the School District was \$(82,324) during the measurement period. For the reporting period ending June 30, 2021, the School District recognized total OPEB contribution expense of \$2,777,503.

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (15,324,993)	\$ (15,324,993)
Changes of assumptions	6,781,638	-	6,781,638
Net difference between projected and actual earnings on pension plan investments	171,662	-	171,662
Changes in proportion and differences between the School District contributions and proportionate share of contributions	1,940,120	(724,467)	1,215,653
	8,893,420	(16,049,460)	(7,156,040)
School District contributions subsequent to the measurement date	2,505,241	-	2,505,241
Total	\$ 11,398,661	\$ (16,049,460)	\$ (4,650,799)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2021	\$ (1,787,030)
2022	(1,548,016)
2023	(1,326,259)
2024	(1,288,715)
2025	(1,206,020)
	\$ (7,156,040)

Berkley School District
Notes to the Financial Statements
June 30, 2021

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: 7.0% Year 1 graded to 3.5% Year 15; 3.0% year 12
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 5.6018 years.

Recognition period for assets in years is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

Berkley School District
Notes to the Financial Statements
June 30, 2021

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

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

Rate of Return

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

Discount Rate

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

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 26,421,778	\$ 20,567,879	\$ 15,639,387

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 15,450,684	\$ 20,567,879	\$ 26,388,058

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPERS Comprehensive Annual Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Berkley School District
Notes to the Financial Statements
June 30, 2021

Note 10 - Retirement Plan

The School District sponsors a retirement plan under Internal Revenue Code 403(b), covering all eligible employees. The Plan provides for voluntary employee contributions and special pay employer contributions made payable to a participant's account upon termination of employment pursuant to the terms of an employment agreement, collective bargaining agreement, letter of agreement, or other agreement obligating the School District to make such contributions to the Code Section 403(b) plan. The District's retirement plan expense for the year ended June 30, 2021 was \$171,051.

Note 11 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment 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 costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Berkley School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 4,352,130	\$ 4,004,760	\$ 4,006,154	\$ 1,394
State sources	51,961,400	57,650,836	57,599,203	(51,633)
Federal sources	1,455,594	5,394,039	4,426,799	(967,240)
Interdistrict sources	3,638,635	3,842,308	3,521,972	(320,336)
Total revenues	<u>61,407,759</u>	<u>70,891,943</u>	<u>69,554,128</u>	<u>(1,337,815)</u>
Expenditures				
Instruction				
Basic programs	35,529,186	37,155,068	37,177,094	22,026
Added needs	7,159,619	7,899,377	7,209,207	(690,170)
Supporting services				
Pupil	4,312,006	4,369,292	4,232,306	(136,986)
Instructional staff	3,866,136	3,794,474	3,632,312	(162,162)
General administration	877,606	928,944	827,373	(101,571)
School administration	3,064,520	3,146,339	3,125,834	(20,505)
Business services	928,734	938,305	1,021,336	83,031
Operations and maintenance	3,981,891	4,852,089	4,416,843	(435,246)
Pupil transportation services	1,049,447	948,947	238,274	(710,673)
Central services	1,907,320	2,746,486	2,604,169	(142,317)
Athletic Activities	810,140	769,824	659,290	(110,534)
Community services	45,879	328,310	283,420	(44,890)
Intergovernmental payments	-	18,092	-	(18,092)
Total expenditures	<u>63,532,484</u>	<u>67,895,547</u>	<u>65,427,458</u>	<u>(2,468,089)</u>
Excess of revenues over expenditures	(2,124,725)	2,996,396	4,126,670	1,130,274
Other Financing Uses				
Transfers out	(40,000)	(2,652,000)	(2,652,000)	-
Net change in fund balance	(2,164,725)	344,396	1,474,670	1,130,274
Fund balance - beginning	<u>6,856,465</u>	<u>6,856,465</u>	<u>6,856,465</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,691,740</u>	<u>\$ 7,200,861</u>	<u>\$ 8,331,135</u>	<u>\$ 1,130,274</u>

Berkley School District
Required Supplementary Information
Budgetary Comparison Schedule - Community Services Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 2,396,855	\$ 2,396,855	\$ 1,375,649	\$ (1,021,206)
Federal sources	-	-	262,825	262,825
	<u>2,396,855</u>	<u>2,396,855</u>	<u>1,638,474</u>	<u>(758,381)</u>
Expenditures				
Current				
Education				
Community services	<u>2,404,415</u>	<u>2,404,415</u>	<u>2,447,470</u>	<u>43,055</u>
Deficiency of revenues over expenditures	(7,560)	(7,560)	(808,996)	(801,436)
Other Financing Sources				
Transfers in	<u>-</u>	<u>2,577,000</u>	<u>2,577,000</u>	<u>-</u>
Net change in fund balance	(7,560)	2,569,440	1,768,004	(801,436)
Fund balance - beginning	<u>1,968,738</u>	<u>1,968,738</u>	<u>1,968,738</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,961,178</u>	<u>\$ 4,538,178</u>	<u>\$ 3,736,742</u>	<u>\$ (801,436)</u>

Berkley School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each Fiscal Year)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
School District's proportion of net pension liability (%)	0.39%	0.39%	0.37%	0.36%	0.34%	0.33%	0.32%			
School District's proportionate share of net pension liability	\$ 133,204,151	\$ 127,935,576	\$ 110,903,822	\$ 92,246,548	\$ 85,048,552	\$ 80,756,722	\$ 70,315,232			
School District's covered payroll	\$ 34,094,542	\$ 34,494,417	\$ 32,182,866	\$ 30,209,359	\$ 29,130,488	\$ 27,609,235	\$ 27,341,910			
School District's proportionate share of net pension liability as a percentage of its covered payroll	390.69%	370.89%	344.61%	305.36%	291.96%	292.50%	257.17%			
Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%			

Note Disclosures

Changes of benefit terms. There were no changes of benefit terms in plan fiscal year 2020

Changes of benefit assumptions. There were no changes of benefit assumptions in plan fiscal year 2020

Berkley School District
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 12,774,993	\$ 10,640,539	\$ 10,262,380	\$ 9,336,299	\$ 5,680,991	\$ 6,471,382	\$ 5,971,430			
Contributions in relation to statutorily required contributions	<u>12,774,993</u>	<u>10,640,539</u>	<u>10,262,380</u>	<u>9,336,299</u>	<u>5,680,991</u>	<u>6,471,382</u>	<u>5,971,430</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
School District's covered payroll	\$ 33,811,353	\$ 34,159,083	\$ 34,033,110	\$ 31,731,764	\$ 31,071,431	\$ 28,734,283	\$ 27,745,633			
Contributions as a percentage of covered payroll	37.78%	31.15%	30.15%	29.42%	18.28%	22.52%	21.52%			

Berkley School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each Fiscal Year)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
School District's proportion of net OPEB liability (%)	0.38%	0.38%	0.38%	0.35%						
School District's proportionate share of net OPEB liability	\$ 20,567,879	\$ 28,273,078	\$ 30,040,072	\$ 31,421,649						
School District's covered payroll	\$ 34,094,542	\$ 34,494,417	\$ 32,182,866	\$ 30,209,359						
School District's proportionate share of net OPEB liability as a percentage of its covered payroll	60.33%	81.96%	93.34%	104.01%						
Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%						

Note Disclosures

Changes of benefit terms. There were no changes of benefit terms in plan fiscal year 2020

Changes of benefit assumptions. There were no changes of benefit assumptions in plan fiscal year 2020

Berkley School District
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 2,777,503	\$ 2,707,211	\$ 2,690,884	\$ 2,371,701						
Contributions in relation to statutorily required contributions	<u>2,777,503</u>	<u>2,707,211</u>	<u>2,690,884</u>	<u>2,371,701</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
School District's covered payroll	\$ 33,811,353	\$ 34,159,083	\$ 34,033,110	\$ 31,731,764						
Contributions as a percentage of covered payroll	8.21%	7.93%	7.91%	7.47%						

OTHER SUPPLEMENTARY INFORMATION

Berkley School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	Special Revenue Funds		Debt Service Fund	Capital Project Funds			Total Nonmajor Governmental Funds
	Food Service	Student/School Activity Fund		2015 Capital Projects	Other Capital Projects	Sinking Fund	
Assets							
Cash	\$ 98,062	\$ 202,358	\$ -	\$ -	\$ -	\$ -	\$ 300,420
Investments	8,777	491,728	78,832	124,124	5,032	65,606	774,099
Taxes receivable	-	-	3,335	-	-	3,026	6,361
Due from other governmental units	45,614	-	-	-	-	-	45,614
Due from other funds	16,284	4,919	1,245,206	-	19,956	348	1,286,713
Inventory	7,515	-	-	-	-	-	7,515
Total assets	\$ 176,252	\$ 699,005	\$ 1,327,373	\$ 124,124	\$ 24,988	\$ 68,980	\$ 2,420,722
Total Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 68,636	\$ -	\$ -	\$ 2,553	\$ -	\$ 518,807	\$ 589,996
Due to other funds	-	-	-	121,571	-	78,895	200,466
Unearned revenue	64,636	-	-	-	-	-	64,636
Total liabilities	133,272	-	-	124,124	-	597,702	855,098

**Berkley School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021**

	Special Revenue Funds		Debt Service Fund	Capital Project Funds			Total Nonmajor Governmental Funds
	Food Service	Student/School Activity Fund		2015 Capital Projects	Other Capital Projects	Sinking Fund	
Fund Balances (deficit)							
Non-spendable							
Inventory	\$ 7,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,515
Restricted for							
Food Service	35,465	-	-	-	-	-	35,465
Debt Service	-	-	1,327,373	-	-	-	1,327,373
Committed for							
Student/School activities	-	699,005	-	-	-	-	699,005
Assigned							
Capital projects	-	-	-	-	24,988	-	24,988
Unassigned	-	-	-	-	-	(528,722)	(528,722)
Total fund balance (deficit)	<u>42,980</u>	<u>699,005</u>	<u>1,327,373</u>	<u>-</u>	<u>24,988</u>	<u>(528,722)</u>	<u>1,565,624</u>
Total liabilities and fund balance (deficit)	<u>\$ 176,252</u>	<u>\$ 699,005</u>	<u>\$ 1,327,373</u>	<u>\$ 124,124</u>	<u>\$ 24,988</u>	<u>\$ 68,980</u>	<u>\$ 2,420,722</u>

Berkley School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	Special Revenue Fund		Debt Service Fund	Capital Project Funds			Total Nonmajor Governmental Funds
	Food Service	Student/School Activity Fund		2015 Capital Projects	Other Capital Projects	Sinking Fund	
Revenues							
Local sources	\$ 9,355	\$ 680,001	\$ 3,710,379	\$ 71	\$ 4	\$ 3,340,884	\$ 7,740,694
State sources	28,910	-	-	-	-	-	28,910
Federal sources	440,608	-	-	-	-	-	440,608
Total revenues	478,873	680,001	3,710,379	71	4	3,340,884	8,210,212
Expenditures							
Current							
Education							
Student and school activities	-	608,697	-	-	-	-	608,697
Food services	490,084	-	-	-	-	-	490,084
Capital outlay	-	-	-	22,219	47,286	3,051,376	3,120,881
Debt service							
Principal	-	-	1,605,000	-	-	-	1,605,000
Interest and other expenditures	-	-	2,217,056	-	-	-	2,217,056
Total expenditures	490,084	608,697	3,822,056	22,219	47,286	3,051,376	8,041,718
Excess (deficiency) of revenues over expenditures	(11,211)	71,304	(111,677)	(22,148)	(47,282)	289,508	168,494
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	75,000	-	75,000
Net change in fund balances	(11,211)	71,304	(111,677)	(22,148)	27,718	289,508	243,494
Fund balances (deficit) - beginning	54,191	627,701	1,439,050	22,148	(2,730)	(818,230)	1,322,130
Fund balances (deficit) - ending	<u>\$ 42,980</u>	<u>\$ 699,005</u>	<u>\$ 1,327,373</u>	<u>\$ -</u>	<u>\$ 24,988</u>	<u>\$ (528,722)</u>	<u>\$ 1,565,624</u>

Berkley School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2021

Year Ending June 30,	2015 Bond Series
2022	\$ 1,685,000
2023	1,770,000
2024	1,860,000
2025	1,950,000
2026	2,050,000
2027 - 2031	11,515,000
2032 - 2036	14,375,000
2037 - 2040	13,825,000
Total	\$ 49,030,000

Principal payments
due the first day of

May

Interest payments
due the first day of

May and
November

Interest rate

3.13% - 5.00%

Original issue

\$ 55,965,000