**Breckenridge Community School District**
Breckenridge, Michigan

Financial Statements
With Supplementary Information
June 30, 2022


RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

525 WEST WARWICK DRIVE, SUITE A, ALMA, MICHIGAN 48801

Breckenridge Community School District
Table of Contents
June 30, 2022

To the Board of Education
Breckenridge Community School District

***Opinions***
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Breckenridge Community School District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***
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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Change in Accounting Principle***
As discussed in the notes to the financial statements, during 2022 the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

October 17, 2022

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## GENERAL INFORMATION

Breckenridge Community Schools currently operates one elementary school and one Middle/High School. The school district's 2021-22 enrollment was 596.82. Breckenridge Community Schools employs a staff of 42 teachers, 7 administrators, and 42 support personnel.

The Board of Education consists of seven members who are elected at large for three-year overlapping terms. The Board annually elects a President, Vice-President, Treasurer and Secretary. The Board is responsible for the selection and appointment of the Superintendent of Schools. The Board meets as a single body to set or amend policy, develop long-range educational goals and act upon recommendations of the Superintendent of Schools. The Board is also responsible for adopting and periodically amending the operating budget and evaluating school programs in accordance with governing laws.

## USING THIS ANNUAL REPORT

The discussion and analysis of Breckenridge Community Schools' financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2022. The intent of this report is to provide a look at the performance of the district as a whole, and includes financial statements, notes to the financial statements, and budgetary information. In addition, this analysis will show comparative data from the prior 2020-21 school year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### *District-wide Financial Statements*

The district-wide financial statements are full accrual basis statements and provide information about the district's overall financial status. They are used to help determine the condition of the district as the result of the year's activities. The *Statement of Net Position* reports all of the district's assets and liabilities, both short-term and long-term, and also deferred outflows of resources and deferred inflows of resources, regardless of their availability. Capital assets and long-term obligations of the district are reported in this statement. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid. The two district-wide statements report the district's net position and how they have changed. Net position (the difference between the district's assets, deferred outflows, deferred inflows, and liabilities) are one way to measure the district's financial condition. Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating, respectively. However, it is important to note that to assess the district's overall position; you need to consider additional non-financial factors such as changes in the district's property base, the quality of education provided, and the condition of the district's buildings.

In the district-wide statements, the district's activities are classified as *governmental activities*. This includes most of the district's basic services such as regular and special education, food service, athletics, transportation, and administration. These activities are financed mostly by state aid, federal aid, and property taxes.

*Fund Financial Statements*

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance on pages 3 and 5 provide financial information for the individual governmental funds. The district's fund financial statements provide detailed information about the most significant funds, and are comparable to prior year financial statements. The fund level statements are reported on a modified accrual basis, which means that only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they are expected to be paid with current financial resources. The fund statements are formatted to meet the requirements of the Michigan Department of Education's "Accounting Manual". Major instructional and instructional support activities are reported in the General Fund. Other activities are reported in their relevant funds including; Food Service, Debt Service, Student Activity and Capital Projects.

*Reconciliation*

The statements on pages 4 and 6 reconcile the differences between the District-Wide Financial Statements and the Fund Financial Statements.

**Condensed Government-Wide Financial Information**

The change in assets, liabilities, and net position from the previous year for the government-wide financial statements were due to, in large part, a decrease in liabilities.

The increase in total assets is due to the addition of adding the Capital Fund assets. Continued work on our bond that was passed in 2020 additional items have been added to our assets. Some assets purchased were a lawnmower, a floor scrubber, and a bus. Assets were also added in our Food Service program to spend down an excess fund balance that we had in that fund for 2020-21. The addition of cafeteria tables, shelving and a serving line were some of those additions. Overall total assets increased by $640,630.

The current liabilities increased from the previous year by $1,030,366 as bonds payable and due to other funds increased.

Noncurrent liabilities decreased due to elimination of our 2008 and 2010 bonds. This decrease was $6,497,899.

Our overall net position increased from ($8,858,242) to ($7,527,294), or $1,330,948.

All information presented in Table 1 relates to governmental activities and the Statement of Net Position of the District. The District does not have any business-type activities.

**Table 1**
**Comparative Summary of Assets, Liabilities, and Net Position**
**At June 30, 2021 and 2022**

| | 2022 | 2021 | Difference |
|---|---|---|---|
| Current Assets | $12,398,474 | $16,374,015 | -$3,975,541 |
| Noncurrent Assets | $10,174,794 | $5,558,623 | $4,616,171 |
| Total Assets | $22,573,268 | $21,932,638 | $640,630 |
| Deferred Outflows of Resources | $2,558,351 | $3,957,240 | -$1,398,889 |
| Current Liabilities | $3,002,341 | $1,971,975 | $1,030,366 |
| Noncurrent Liabilities | $23,960,160 | $30,458,059 | -$6,497,899 |
| Total Liabilities | $26,962,501 | $32,430,034 | -$5,467,533 |
| Deferred Inflows of Resources | $5,696,412 | $2,318,086 | $3,378,326 |
| Investment in Capital Assets (Net of Related Debt) | $3,110,989 | $2,599,765 | $511,224 |
| Restricted | $304,071 | $622,084 | -$318,013 |
| Unrestricted | -$10,942,354 | -$12,080,091 | $1,137,737 |
| Total Net Position | -$7,527,294 | -$8,858,242 | $1,330,948 |

All information presented in Table 2 and Table 3 relate to our **Statement of Activities.**

The overall change in our **Statement of Activities** net position, year over year, was 1,330,948 or 15.03%.

Charges for Services decreased by $156,707, or 44% due to the additional funding that the district received in responding to Covid-19 requirements. Community services increased in this last year as we had more parents enrolling their children in our early childhood programs. Parents have started feeling more comfortable sending their kids, safely, back to school.

Operating Grants and Contributions increased year over year by $659,754 or 65% due to the additional funding sources we received from the federal government to help offset challenges created by the Covid-19 pandemic. Some of the additional grant funding received this year was the Elementary and Secondary School Emergency Relief Funds, or ESSER funds. These funds were to be used to address the impact that Novel Coronavirus Disease 2019 has had, and continues to have, on elementary and secondary schools in Michigan. These funds helped in many ways to address the issues our kids have experienced. Also, in this fiscal year we were again able to offer free breakfast and lunches to all students as well and special federal funding was provided at a higher rate of reimbursement, again due to Covid-19. As a result of this program and higher reimbursement rates we saw higher revenues generated in our food service program.

Property taxes increased by $165,999 or 6.5% year over year. This is a good trend to see for the district and the state. It's the type of increase we would like to see every year although the trend is closer to 4.4%, not including the latest information from this year.

Actual overall General revenues per our statement of activities increased by $343,478, or approximately 4.3% year over year due to an increase in property taxes, state sources and intermediate sources.

**Table 2**
**Comparative Summary of Program, General, and Total Revenues**
**Years Ended June 30, 2022 and 2021**

| | 2022 | | 2021 | | Difference | |
|---|---|---|---|---|---|---|
| Charges for Services | $ | 195,920 | $ | 352,627 | $ | (156,707) |
| Operating Grants & Contributions | $ | 1,676,255 | $ | 1,016,501 | $ | 659,754 |
| Total Program Revenues | $ | 1,872,175 | $ | 1,369,128 | $ | 503,047 |
| | | | | | | |
| Property Taxes | $ | 2,540,745 | $ | 2,374,746 | $ | 165,999 |
| State Aid Not Restricted to Specific Purposes | $ | 5,386,996 | $ | 5,282,674 | $ | 104,322 |
| Unrestricted Interest & Investment Earnings | $ | 828 | $ | 982 | $ | (154) |
| Restricted Interest & Investment Earnings | $ | 13,390 | $ | 9,462 | $ | 3,928 |
| Other | $ | 346,091 | $ | 276,708 | $ | 69,383 |
| Total General Revenues | $ | 8,288,050 | $ | 7,944,572 | $ | 343,478 |
| | | | | | | |
| Instruction | $ | 4,628,074 | $ | 4,565,520 | $ | 62,554 |
| Support services | | 2,992,962 | | 3,466,571 | | (473,609) |
| Food service | | 410,518 | | 331,949 | | 78,569 |
| Community services | | 182,828 | | 92,416 | | 90,412 |
| Student / school activities | | 298,462 | | - | | 298,462 |
| Interest and fees on long-term debt & Other expenditures | | 316,433 | | 226,008 | | 90,425 |
| Total activities/Expenses | $ | 8,829,277 | $ | 8,682,464 | $ | 146,813 |

Looking at Table 2 and comparing to last year's numbers, Total expenses increased from the previous year by $146,813. Some of these components that make up total expenses decreased and some increased. Please find some explanation below as to why these variances occurred.

Instruction costs increased from the previous year by $62,554. Part of that was due to bargained increases in wages for teaching staff.

The cost of Support Services decreased during the year by $473,609 due to additional funding that was received from the federal government in fiscal year 2020-21 to help us respond to needs from the Covid-19 pandemic. We did not incur these expenses in 2021-2022 due to already having supplies and materials on hand. Many additional expenses were incurred including cleaning supplies, the need for personal protection equipment, instructional devices and internet services. Those same expenses were not incurred in 21-22.

Food Service costs increased from the previous year by $85,710. We continued to offer the additional federal program that was offered where we could feed all children in our community at a higher rate of reimbursement. Breakfast and lunch was free to all students in 2021-22 and we had increased participation, which led to increased costs.

Community Services costs increased during the year by $78,569 due to an additional grant that was acquired by our early childhood programs. This grant used these funds for items outside our normal expenses to improve the program.

Student/School Activities was broken out this year within our table of costs and was not included last year. Student activities includes those funds that are used to support groups that are formed outside of the normal school day including athletic clubs, individual graduating classes and other areas of focus and interest.

Interest and Fees on Long-term Debt costs increased this year, by $90,425 due to the payments made for our long-term debt.

The net position of this year's operations for the District as a whole are and changes in net position are presented in table 3 below for fiscal year 2022. The District experienced a change in net position, going from ($8,858,242) to ($7,254,294) for a decrease of $1,603,948. Since the District does not have any business-type activities, this change is entirely comprised of governmental type activities.

**Table 3**
**Comparative Summary of Net Position and Changes in Net Position**
**Years Ended June 30, 2022 and 2021**

| | 2022 | | 2021 | | Difference |
|---|---|---|---|---|---|
| Net Position - Beginning | $ (8,858,242) | | $ (9,489,478) | | $ 631,236 |
| Increase (Decrease) in Net Position | $ 1,330,948 | | $ 631,236 | | $ 699,712 |
| Net Position - Ending | $ (7,527,294) | | $ (8,858,242) | | |

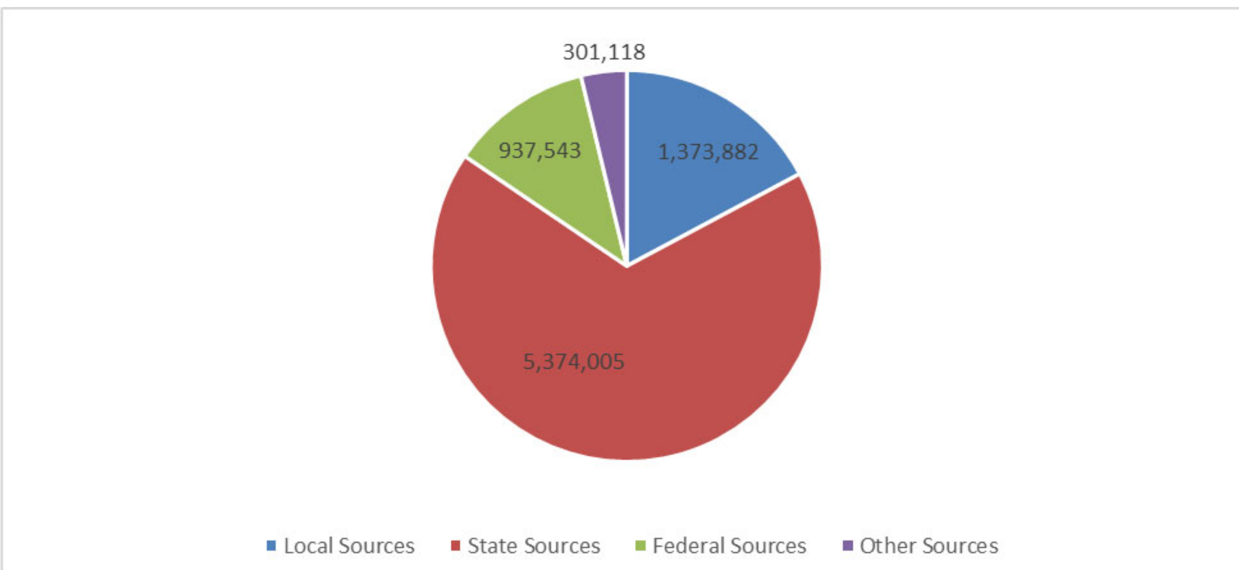
**Financial Analysis of the District as a Whole**

A substantial portion of the district's revenues is received from State sources, $5,374,005 or approximately 67%. While this number increased year over year by $115,379, the overall percentage of state sources as a percentage went down compared to our previous fiscal year. This means that the financial stability of the district rests primarily with the economic health of the State of Michigan. Local sources increased by 13% due to higher property taxes collected and revenues collected from our Early Childhood programs. Federal resources also increased by 42%, due to the additional federal dollars that the district received due to the Covid-19 pandemic. Other resources *increased* by more than 27% and while overall dollars in these categories have changed significantly we know that they are one-time funds and we must be able to maintain financial stability with what is considered to be our regular funding.

Figure 1 depicts the breakdown of the sources of revenue for the district for fiscal year 2021-22.

*Figure 1*

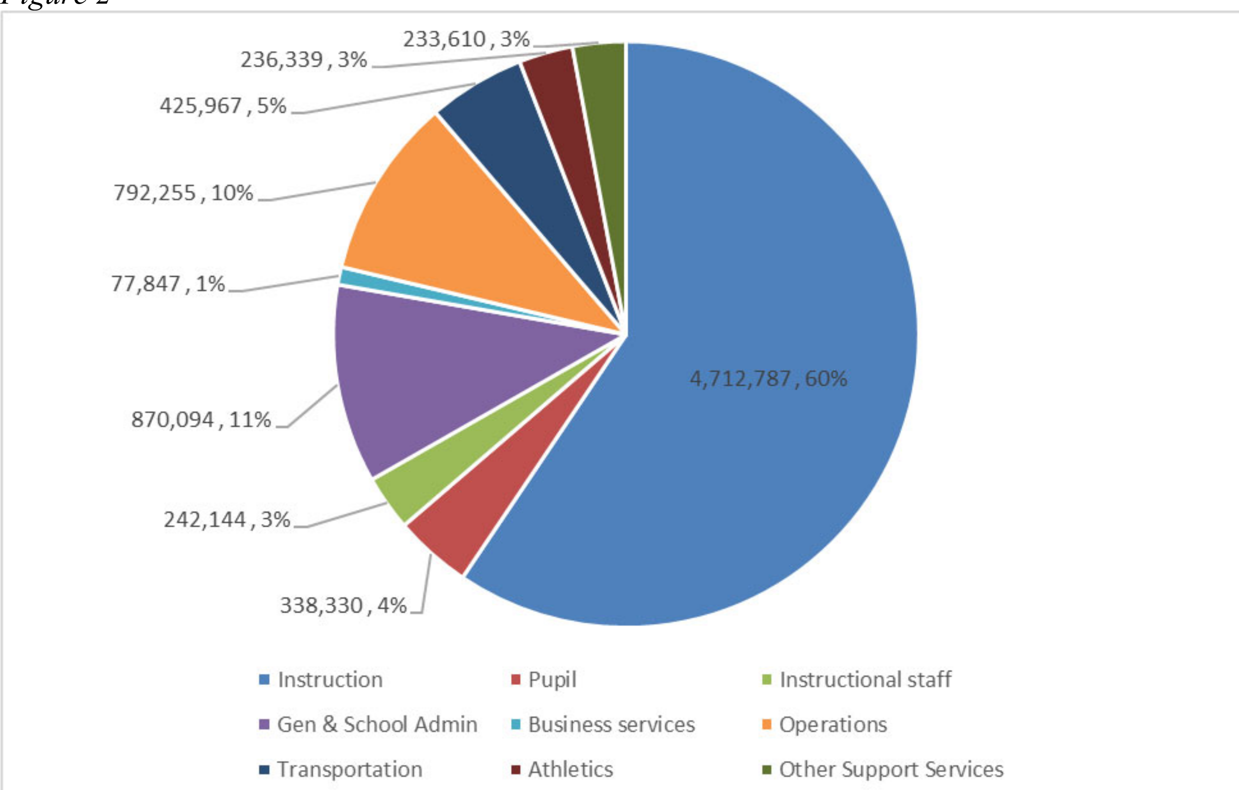
**2021-2022 General Fund Revenues**
**Total $7,986,548**



Instructional services comprised $4,712,787 or 59.4% of the district's expenditures which is lower than last year and due to a reduction in our teaching staff. School Administration and Business Services dollars spent is $77,847 or .98% and is slightly less in percentage than compared to last year. Operations and maintenance came in at $792,255 or 5.37%, which is higher than what was spent last year and due to the additional federal COVID19 funding we received to help offset cleaning and PPE costs. The final $425,968 or 2.95% was spent on other support services and is again, higher than how funds were spent last year due to additional federal COVID19 funding. While federal funding did help offset additional expenditures we know that this funding is a one-time occurrence.

Figure 2 depicts how the district's resources were spent in 2021-22.

*Figure 2*




The District operates under the philosophy that it should maintain or grow fund balance from one year to the next based on the Fund Financial Statements (modified accrual). Most business officials contend that 12% to 18% fund balance is the optimal target for a district. With slight increases in funding and a continuing reduction in student enrollment each year, the district strives to break even while maintaining current programs and maintaining a fund balance above 10%.

**Financial Analysis of District Funds**

The financial performance of the district as a whole is reflected in its governmental funds as well. The combined governmental funds equity increased during the 2021-22 school year. The primary reasons for this change are as follows:

General Fund

The General Fund increased its fund balance this year by $57,175 or 5.1%. Our student fte (full time equivalent) decreased by 21.61. This number is derived by the state calculation, which is back to the normal formula where 90% of the fall 2021 count plus 10% of the spring 2022 count is used. We are still seeing students not yet returning to school at this point in time. This number is used to determine what we will receive from the state and federal government for revenues for the district. Teaching and all other staff were given salary increases in the last fiscal year. Another explanation for the increase to fund balance was that we did experience a decrease in staff as it was difficult to find and retain teachers, bus drivers, paraprofessionals and custodians so for this reason many positions were not filled.

Capital Projects

We did have a Capital Project fund and multiple capital projects were completed in fiscal year 2021-22. The demolition of one wing and the construction of a new Elementary wing were in progress during the summers of this last fiscal year. Many improvements were made including the addition of the new Elementary school wing, replacement of our Middle and High School lockers, renovation of our science classes, replacement of ceilings and bleachers in the MS gymnasium, new flooring in many classrooms and renovation of restrooms throughout our Middle and High School. New café tables were purchased for our food service program. Cameras and projectors were purchased for all classrooms. We replaced our track at our football field and updated our stadium sidewalk and ticket booths. We have also purchased another new bus in this fiscal year for our transportation program. In total we spent approximately $4,986,500 or 33% of our total bond funds this fiscal year.

Debt Service

We did not add any new debt service this fiscal year. We are currently paying on our 2012 and 2020 debt service. We are no longer paying on, and have completed, our 2008 and 2010 debt services. Debt service fund balance grew by $29,480 this year due to collecting more debt tax funds than what we paid out.

Student Activities

Student activities saw a small increase in fund balance in this fiscal year. Activities associated with this fund increased this fiscal year due to not having as many restrictions from Covid-19. More fundraisers and activities occurred this fiscal year, and that produced a higher amount of revenue being generated and added back to this fund. The overall increase to this fund was $17,125, which is an increase of 11% for fiscal year 2021-22.

Food Service

Food service operated a specially funded program at higher reimbursement rates from the federal government that provided free lunch and breakfast to all students. The reimbursement rate was increased in an effort to cover all additional costs needed to safely and effectively provide meals to our students. However, we had an excess fund balance from the previous fiscal year, which is defined as having more than three months of operating expenses in our fund balance at the end of a fiscal year, and we were asked by the state to spend this excess fund balance down. We did that and lowered our fund balance from $188,411 to $130,201. We purchased much needed equipment including cafeteria tables and a new serving line in our effort to meet compliance.

## General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education adopt an original budget for the upcoming fiscal year by July 1st. As a matter of practice, the district amends its budget at least twice during the fiscal year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the significant changes in the budget during the year.

*Changes in Revenues*

For local sources we increased the budget by 12.14%, or $148,000, to account for the tax increases. Taxes are receipted in and collected prior to the drafting of the final budget. We typically expect a 3% increase year over year and budget for this.
For state sources the original budget was based on trended enrollment loss of 29 and the state guided increase of $250 in our foundation allowance. We did see a reduction in fte's, but not quite as high as we had originally budgeted. We ended up incurring a loss of 21.61 fte's and the

state ended up increasing our foundation by an overall $589. Overall, we increased our budget by 7.79%, or $386,513 for state sources.

Federal Sources saw the smallest budget change of an increase of 2.9%, or $27,854. The original budget was amended to include actual dollars allocated to the district and actual dollars intended to be spent. We received numerous additional federal grants during the fiscal year including Benchmark Assessment funding and an Early Childcare grant.

For Other Sources the original budget was amended to account for an increase of $49,598 in revenues received from the intermediate school district in relation to Vocational Education. We had an increase in students participating in our Vocational Education program and thus we received more in reimbursement from our local RESD.

Basic Programs was amended to include an increase in expenses overall in this category by $253,953 or 7.73%. Increases were associated with additional federal dollars that we received and were spent in the basic program categories. Some items purchased helped with virtual instruction and also additional payroll dollars as well. Salary increases were given to all teachers during the 2021-22 fiscal year.

Pupil Services saw a larger increase of 15.%, or $45,136, due to an increase in staff. We added numerous support staff to help with emotional and academic supports to our students, as well as we gave all staff a wage increase and increased our wage scale to better retain staff.

Instructional Staff increased by 15.13% due to additional staffing needed to accommodate distancing requirements and have fewer students in classrooms. Salary increases were given to teachers through the bargaining process.

General administration increased between original and final budgets by a little over 8.98% due to salary increases and a new secretarial wage scale that were put into place during this fiscal year. The increase to the final budget, from the original budget, was $26,406.

School Administration was increased by 12.64%, or 64,252 to account for additional expenses. We hired a new elementary principal who left mid-year and our Middle/high school principal announced her retirement. Additional expense was needed to pay out any PTO accrued and was added to the budget. Salary increases were also given to administrators during the course of the year.

Business Services decreased by 6.14%, or $5,190 and was made to the final budget to reflect lower fees and payments.

In the previous fiscal year we saw a lot of purchases in operations and maintenance to purchase additional items such as cleaning supplies, personal protection equipment and to provide barriers to aide with distancing and compliance of mandates. Operations this year increased by 21.56% from original to final budget due to higher utility costs, higher costs for products purchased, salary and wage increases of approximately 3% to staff, and a bleacher repair that came in closer to year end.

Pupil Transportation – The original budget was amended and increased by $36,935 or 9.15%, to reflect the overall increased cost of transportation. We ran a full Vocational Education program this year, where last year we had not, and this increased transportation costs. Salary increases of approximately 3% were given to all employees in this category during the fiscal year as well.

Expenses overall for the General Fund increased from original to final budget was 3.60% or $281,338.

*Variances between Final Budget and Actual Amounts*

Revenues varied minimally between the final budget and actual amount. We were unable to receipt in a purchase that we had made through our ESSER federal funding dollars due to a delay in receiving the item, and this in turn made the district unable to draw down the funds from the Cash Management System, thus creating a small variance within the federal funding source category.

Expenditures were budgeted by 2.1% higher than actual. This is fairly normal for our budgeting process as the district feels the need to account for anything that may occur and require additional expense before the close of the fiscal year. Operations and Transportation are two categories where we see the largest variance as we can't always know those costs with certainty prior to the year closing.

**Food Service Fund Highlights**

*Changes from Original Budget to Final Budget*

For local sources, the original budget was amended to more closely reflect actual student lunch sales which were small than previous years due to COVID19 and the offering of free lunches and breakfasts to all students. State sources were lower than expected due to the fact that no 31f funds were collected from the state this year. The original budget was amended to reflect additional Federal reimbursement revenue in the school lunch program and also new federal revenue funds received under the COVID19 federal lunch program.

Food Service – The original budget was amended to reflect additional expenses associated with serving students for a longer period of time. Extra food costs, extra labor costs were needed. We also experienced food supply shortages this year and therefore the food that was purchased, was purchased at a higher cost.

*Variances between Final Budget and Actual Amounts*

Expenses were lower than budgeted and revenues higher than budgeted as the food service budget is amended only once a year. Final amounts were very close to actuals with little difference in itemized categories.

**Capital Assets and Long-Term Debt Activity during the Year**

*Capital Assets*

A summary of the changes in the District's capital assets is presented on page 15. The significant additions included the Construction in Progress of Capital projects, $4,827,768 taking place in the district right now through bond projects. Other additions include a bus, cafeteria tables and a complete serving line for food service.

*Debt*

At June 30, 2022, Breckenridge Community Schools had $15,754,758 in long-term debt. This is a decrease from previous year of $1,109,555 or 6.58%. The debt consisted of the following:

| | |
|---|---|
| Compensated Absences | $ 98,460 |
| Early Retirement Incentives | $ 56,325 |
| Bonds | $ 15,600,000 |
| Total | $ 15,754,758 |

**Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations.**

One of the most significant factors facing Breckenridge Community School District is the economic condition of the State of Michigan and the COVID19 pandemic. After going through 15 months of the COVID19 pandemic we saw that the state was in relatively stable economic condition but partly due to so many additional federal dollars being added to the state. With state funding the primary source of revenue, the district monitors the state's periodic revenue-estimating conference in order to project revenue for the upcoming fiscal year's budget. In addition, local student enrollment is another revenue producing factor that the district monitors. For the 2021-2022 fiscal year the state went back to its' normal formula. This calculation is 90% of the fall 2021 count plus 10% of the spring 2022 count. For budgeting purposes, an estimated student count is used based on the district's enrollment history. For the last 10 years the district has seen, although in some years it was minimal, an estimated decline of approximately 24 students every year. The loss this year of 21.61 fte's tells us that we are consistently losing students and we will need to always take this into consideration when completing future budgets for the District.

The District along with other schools throughout Michigan are faced with significant budget challenges as the State of Michigan continues to struggle to determine an effective method to provide adequate funding for public education. With COVID19 it was difficult to find the best mode of instruction to help our kids not fall behind and lag in their learning. Additional funding provided has helped exponentially in allowing us to provide additional resources to catch our students back up. We will continue to use these additional, one time, grant funds to get us on the right track and help our students catch up.

The budget prepared for the 2021-22 school year was based on a decline in student enrollment of approximately 29 students, and with the coupling of the $250 increase that we thought we were going to see in the state foundation, we were expecting a large loss. The final budget reflected a smaller actual loss of student fte's by 21.61. Expenditures were also monitored closely during the course of the year and the overall loss was less than expected.

## Request for Information

This financial report is designed to provide our stakeholders with a general overview of the district's finances and to show the district's accountability for the funding it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Breckenridge Community School District, Central Office, 700 Wright Street, Breckenridge, MI 48615.

# GOVERNMENT-WIDE
# FINANCIAL STATEMENTS

Breckenridge Community School District
Statement of Net Position
June 30, 2022

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 11,112,377 |
| Due from other governmental units | 1,228,380 |
| Prepaids | 57,717 |
| Noncurrent assets | |
| Capital assets not being depreciated | 5,773,504 |
| Capital assets being depreciated, net | 4,401,290 |
| Total assets | 22,573,268 |
| **Deferred Outflows of Resources** | |
| Related to pension | 1,829,162 |
| Related to other post-employment benefits | 729,189 |
| Total deferred outflows | 2,558,351 |
| **Liabilities** | |
| Accounts payable | 1,009,670 |
| Accrued expenses | 608,500 |
| Accrued interest | 52,759 |
| Unearned revenue | 140,318 |
| General obligation bonds, due within one year | 1,120,000 |
| Compensated absences, due within one year | 14,769 |
| Retirement incentive, due within one year | 56,325 |
| Noncurrent liabilities | |
| General obligation bonds, due beyond one year | 14,480,000 |
| Compensated absences, due beyond one year | 83,691 |
| Premium on bonds, net of amortization | 314,693 |
| Net pension liability | 8,533,918 |
| Net other post-employment benefits liability | 547,858 |
| Total liabilities | 26,962,501 |
| **Deferred Inflows of Resources** | |
| Related to pension | 3,013,266 |
| Related to other post-employment benefits | 2,118,584 |
| Related to 147c allocation | 564,562 |
| Total deferred inflows of resources | 5,696,412 |
| **Net position** | |
| Net investment in capital assets | 3,110,989 |
| Restricted for: | |
| Debt service | 304,071 |
| Unrestricted | (10,942,354) |
| Total net position | $ (7,527,294) |

Breckenridge Community School District
Statement of Activities
For the Year Ended June 30, 2022

| Functions / Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes Net Position |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Instruction | $ 4,628,074 | $ 147,826 | $ 937,543 | $ (3,542,705) |
| Support services | 2,992,962 | 42,870 | - | (2,950,092) |
| Food service | 410,518 | 5,224 | 423,125 | 17,831 |
| Community services | 182,828 | - | - | (182,828) |
| Student / school activities | 298,462 | - | 315,587 | 17,125 |
| Interest and fees on long-term debt | 316,133 | - | - | (316,133) |
| Other expenditures | 300 | - | - | (300) |
| Total governmental activities | $ 8,829,277 | $ 195,920 | $ 1,676,255 | $ (6,957,102) |
| **General revenues:** | | | | |
| Property taxes | | | | 2,540,745 |
| State sources | | | | 5,386,996 |
| Unrestricted interest and investment earnings | | | | 828 |
| Restricted interest and investment earnings | | | | 13,390 |
| Intermediate sources | | | | 301,118 |
| Other general revenues | | | | 44,973 |
| Total general revenues | | | | 8,288,050 |
| **Change in net position** | | | | 1,330,948 |
| **Net position - beginning** | | | | (8,858,242) |
| **Net position - ending** | | | | $ (7,527,294) |

# FUND FINANCIAL STATEMENTS

Breckenridge Community School District
Balance Sheet
Governmental Funds
June 30, 2022

| | Major Funds | | Total | |
|---|---|---|---|---|
| | General Fund | 2020 Capital Projects | Non-major Funds | Totals |
| **Assets** | | | | |
| Cash and cash equivalents | $ 722,843 | $ 9,820,703 | $ 568,831 | $ 11,112,377 |
| Due from other funds | - | 11,777 | 73,759 | 85,536 |
| Due from other governmental units | 1,208,202 | - | 20,178 | 1,228,380 |
| Prepaids | 57,717 | - | - | 57,717 |
| Total assets | $ 1,988,762 | 9,832,480 | $ 662,768 | $ 12,484,010 |
| **Liabilities** | | | | |
| Accounts payable | $ 25,308 | $ 981,592 | $ 2,770 | $ 1,009,670 |
| Accrued expenditures | 607,856 | - | 644 | 608,500 |
| Due to other funds | 36,661 | - | 48,875 | 85,536 |
| Unearned revenue | 140,318 | - | - | 140,318 |
| Total liabilities | 810,143 | 981,592 | 52,289 | 1,844,024 |
| **Fund balances** | | | | |
| Nonspendable | 57,717 | - | - | 57,717 |
| Restricted for: | | | | |
| Food service | - | - | 130,201 | 130,201 |
| Student activities | - | - | 176,207 | 176,207 |
| Facilities and improvements | - | 8,850,888 | - | 8,850,888 |
| Debt service | - | - | 304,071 | 304,071 |
| Unassigned | 1,120,902 | - | - | 1,120,902 |
| Total fund balances | 1,178,619 | 8,850,888 | 610,479 | 10,639,986 |
| Total liabilities and fund balance | $ 1,988,762 | $ 9,832,480 | $ 662,768 | $ 12,484,010 |

Breckenridge Community School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2022

| | | |
|---|---|---|
| Total fund balance - governmental funds | | $ 10,639,986 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds: | | |
| Add: | Cost of capital assets | 18,454,992 |
| Deduct: | Accumulated depreciation | (8,280,198) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Those liabilities consist of: | | |
| Deduct: | 2012 bonds | (1,675,000) |
| Deduct: | 2020 bonds | (13,925,000) |
| Deduct: | Compensated absences payable | (98,460) |
| Deduct: | Retirement incentive payable | (56,325) |
| Deduct: | Accrued interest on long-term liabilities | (52,759) |
| Deduct: | Premium on bonds (net of amortization) - 2012 bonds | (28,766) |
| Deduct: | Premium on bonds (net of amortization) - 2020 bonds | (285,927) |
| Other amounts reported in the statement of activities that do not require current financial resources consist of: | | |
| Add: | Deferred outflow - related to pension | 1,829,162 |
| Add: | Deferred outflow - related to other post-employment benefits | 729,189 |
| Deduct: | Net pension liability | (8,533,918) |
| Deduct: | Net other post-employment benefits liability | (547,858) |
| Deduct: | Deferred inflow - related to pension | (3,013,266) |
| Deduct: | Deferred inflow - related to other post-employment benefits | (2,118,584) |
| Deduct: | Deferred inflow - 147c allocation | (564,562) |
| Total net position - governmental activities | | $ (7,527,294) |

The notes are an integral part of these financial statements.

Breckenridge Community School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

| | Major Funds | | Total | |
|---|---|---|---|---|
| | General Fund | 2020 Capital Projects | Non-major Funds | Totals |
| **Revenues** | | | | |
| Local sources | $ 1,373,882 | $ 12,642 | $ 1,599,814 | $ 2,986,338 |
| State sources | 5,374,005 | - | 138,096 | 5,512,101 |
| Federal sources | 937,543 | - | 423,125 | 1,360,668 |
| Other sources | 301,118 | - | - | 301,118 |
| Total revenues | 7,986,548 | 12,642 | 2,161,035 | 10,160,225 |
| **Expenditures** | | | | |
| Instruction | | | | |
| Basic programs | 3,522,519 | - | - | 3,522,519 |
| Added needs | 1,190,268 | - | - | 1,190,268 |
| Total instruction | 4,712,787 | - | - | 4,712,787 |
| Support services | | | | |
| Pupil | 338,330 | - | - | 338,330 |
| Instructional staff | 242,144 | 667,254 | - | 909,398 |
| General administration | 310,333 | - | - | 310,333 |
| School administration | 559,761 | - | - | 559,761 |
| Business services | 77,847 | - | - | 77,847 |
| Operation and maintenance | 792,255 | - | - | 792,255 |
| Pupil transportation | 425,967 | 91,091 | - | 517,058 |
| Central | 48,498 | 4,227,330 | - | 4,275,828 |
| Athletics | 236,339 | - | - | 236,339 |
| Total support services | 3,031,474 | 4,985,675 | - | 8,017,149 |
| Food service | - | - | 503,802 | 503,802 |
| Student / school activities | - | - | 298,462 | 298,462 |
| Community services | 182,828 | - | - | 182,828 |
| Debt service | | | | |
| Principal payments | - | - | 1,025,000 | 1,025,000 |
| Interest, fees and other | 2,284 | - | 345,076 | 347,360 |
| Other | - | - | 300 | 300 |
| Total expenditures | 7,929,373 | 4,985,675 | 2,172,640 | 15,087,688 |
| **Revenues over (under) expenditures** | 57,175 | (4,973,033) | (11,605) | (4,927,463) |
| **Fund balances - beginning** | 1,121,444 | 13,823,921 | 622,084 | 15,567,449 |
| **Fund balances - ending** | $ 1,178,619 | $ 8,850,888 | $ 610,479 | $ 10,639,986 |

Breckenridge Community 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, 2022

| | | | |
|---|---|---|---|
| Net change in fund balances - total governmental funds | | $ | (4,927,463) |
| Amounts reported for governmental activities in the statement of activities are 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 as depreciation expense. | | | |
| Add: | Capital asset purchases | | 5,068,523 |
| Deduct: | Depreciation expense | | (413,873) |
| Deduct: | Loss on disposal of assets | | (38,479) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds. | | | |
| Deduct: | Change in deferred outflow - related to pension | | (1,079,933) |
| Deduct: | Change in deferred outflow - related to other post-employment benefits | | (318,956) |
| Add: | Change in net pension liability | | 3,900,004 |
| Add: | Change in net other post-employment benefits liability | | 1,378,669 |
| Deduct: | Change in deferred inflow - related to pension | | (2,690,121) |
| Deduct: | Change in deferred inflow - related to other post-employment benefits | | (589,597) |
| Add: | Change in accrual for compensated absences | | 42,680 |
| Add: | Change in accrued interest on long term debt | | 3,479 |
| Long-term debt proceeds are reported as other financing sources in the governmental funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has not effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. | | | |
| Add: | 2012 bonds | | 335,000 |
| Add: | 2020 bonds | | 690,000 |
| Add: | Change in early retirement incentive | | 41,875 |
| Add: | 2012 bonds - amortization of premium | | 5,753 |
| Add: | 2020 bonds - amortization of premium | | 21,995 |
| Revenue in support of pension contributions made subsequent to the measurement date. | | | |
| Deduct: | Change in deferred inflow - 147c allocation | | (98,608) |
| Change in net position - governmental activities | | $ | 1,330,948 |

The notes are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Breckenridge Community School District (the District) conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District. All amounts shown are in dollars.

### Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities, if any, are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

### Reporting Entity

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

### Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

### Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

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

- The *capital projects fund* accounts for the receipt of bond proceeds, transfers from the general fund and the acquisition of fixed assets or construction of capital projects. The District accounts for the 2020 capital projects activity in the capital projects fund.

The District reports the following non-major governmental funds:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activity and student activities in the special revenue funds.

- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for its 2008 bond, 2010 bond, 2012 bond, and 2020 bond activity in the debt service funds.

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

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

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

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

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

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

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

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

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

- Public hearings are conducted to obtain taxpayer comments.

- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.

- Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. Although the district does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

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

Cash and Cash Equivalents
The District's cash and cash equivalents are considered to be demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

- Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.

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

- Bankers' acceptances of United States banks.

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

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

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

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

Capital Assets
Capital assets, as detailed in the table below, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets

are recorded at their estimated acquisition value at the date of donation.

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

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

| Assets | Years |
|---|---|
| Buildings and improvements | 7 - 50 |
| Computers and related equipment | 5 - 10 |
| Furniture and equipment | 5 - 20 |
| Vehicles | 5 - 8 |

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

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

Deferred Outflows
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. The deferred amounts related to pension and other postemployment benefits relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and other postemployment benefit related changes. These amounts are recognized in the plan year in which they apply.

Deferred Inflows
In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and other postemployment benefit related changes. These amounts are recognized in the plan year in which they apply.

Compensated Absences
The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and Government-wide financial statements, and revenue is recognized.

Long-term Obligations

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

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

Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- *Nonspendable* fund balance represents amounts that are either not in spendable from or are either legally or contractually required to be maintained intact.

- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation.

- *Committed* fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Education prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board of Education adopts another ordinance to remove or revise the limitation.

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

- *Unassigned* fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Revenues**

Program Revenues
Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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

The District levied the following amounts per $1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 3.90 mills on all property in the District for the purpose of debt service.

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

The state portion of the Foundation is provided primarily by a state education property tax millage of 6.00 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**
It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District, and conforming to all state and local statues governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield.

As of year-end, the District had deposits subject to the following risks:

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of year-end, $10,934,114 of the District’s bank balance of $11,184,114 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

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

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

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

The following summarizes the categorization of these amounts as of year-end:

| Description | Amount |
|---|---:|
| Petty cash | 464 |
| Checking, Savings, & Money Market Accounts | 11,107,809 |
| Certificates of Deposit | 4,104 |
| Total | 11,112,377 |

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**
The amounts of interfund receivable and payable shown on the fund financial statements as of June 30th, are as follows:

| Description | Due from Other Funds | Due to Other Funds |
|---|---|---|
| General Fund | - | 36,661 |
| 2020 Capital Projects Fund | 11,777 | - |
| Food Service Fund | 24,789 | - |
| Student Activities Fund | 95 | - |
| 2008 Bond Fund | - | 4,791 |
| 2010 Bond Fund | - | - |
| 2012 Bond Fund | 48,875 | - |
| 2020 Bond Fund | - | 44,084 |
| Total | 85,536 | 85,536 |

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

**NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS**
As of June 30th, due from other governmental units is comprised of the following amounts:

| Description | Amount |
|---|---|
| State aid | 948,841 |
| Federal grants and other pass-through agencies | 217,988 |
| Other | 61,551 |
| Total | 1,228,380 |

No allowance for doubtful accounts is considered necessary based on previous experience.

**NOTE 5 - CAPITAL ASSETS**
A summary of changes in the District's capital assets follows:

| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Capital assets not being depreciated | | | | | |
| Construction in process | 945,736 | 4,827,768 | - | - | 5,773,504 |
| | | | | | |
| Capital assets being depreciated | | | | | |
| Buildings and improvements | 11,511,915 | - | (339,189) | - | 11,172,726 |
| Computers and related equipment | 775,005 | - | (686,716) | - | 88,289 |
| Furniture and equipment | 1,038,673 | 149,664 | (569,139) | - | 619,198 |
| Vehicles | 738,180 | 91,091 | (27,996) | - | 801,275 |
| Total capital assets being depreciated | 14,063,773 | 240,755 | (1,623,040) | - | 12,681,488 |
| | | | | | |
| Accumulated depreciation | | | | | |
| Buildings and improvements | (7,184,742) | (340,526) | 300,709 | - | (7,224,559) |
| Computers and related equipment | (745,728) | (6,069) | 686,717 | - | (65,080) |
| Furniture and equipment | (1,023,542) | (15,970) | 569,139 | - | (470,373) |
| Vehicles | (496,874) | (51,308) | 27,996 | - | (520,186) |
| Total accumulated depreciation | (9,450,886) | (413,873) | 1,584,561 | - | (8,280,198) |
| | | | | | |
| Net capital assets being depreciated | 4,612,887 | (173,118) | (38,479) | - | 4,401,290 |
| Net capital assets | 5,558,623 | 4,654,650 | (38,479) | - | 10,174,794 |

Depreciation/amortization expense for the year ended June 30th was charged to the functions of the District's activities as follows:

| Governmental Activities | Amount |
|---|---|
| Instruction | 321,040 |
| Support services | 81,756 |
| Food services | 11,077 |
| Total depreciation | 413,873 |

**NOTE 6 - ACCRUED EXPENSES**
Accrued expenses as of year-end include amounts due for accrued wages, retirement, FICA, employee benefit insurances, and termination benefits (if any). Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

**NOTE 7 - DEBT**

Short-term debt
On August 20, 2021, the District borrowed $800,000 in one note from Huntington Public Capital Corporation in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 0.39% and is payable on August 22, 2022, but was paid in full prior to the end of the fiscal year.

| | Beginning Balance | Additions | (Deletions) | Ending Balance |
|---|---|---|---|---|
| Short-term debt | - | 800,000 | (800,000) | - |

Premiums and Discounts

Debt may be issued at par value, with a premium (applicable to debt issued in excess of par value) or at a discount (applicable to debt issued at amounts less than the par value). Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

The changes in premium and discounts during the fiscal year are as follows:

| | Beginning Balance | Additions | (Deletions) | Ending Balance |
|---|---|---|---|---|
| Premium on 2012 bonds | 34,519 | - | (5,753) | 28,766 |
| Premium on 2020 bonds | 307,922 | - | (21,995) | 285,927 |
| Total premiums and discounts | 342,441 | - | (27,748) | 314,693 |

Long-term debt

| General obligation bonds: | Amount |
|---|---|
| 2012 bonds due in annual installments of $170,000 to $335,000 through May 1, 2027, with an interest rate from 2.25% to 2.50% | 1,675,000 |
| 2020 bonds due in annual installments of $315,000 to $1,300,000 through May 2035, with an interest rate from 2.000% to 2.125% | 13,925,000 |
| Total general obligation bonds: | 15,600,000 |

**2012 Bonds - $4,135,000**

During the fiscal year ended June 30, 2013, the District issued a general obligation bond in the amount of $4,135,000. The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated November 28, 2012.

**2020 Bonds - $14,930,000**

During the fiscal year ended June 30, 2021, the District issued a general obligation bond in the amount of $14,930,000. The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated November 12, 2020.

**Summary of Long-Term Debt**

The changes in long-term debt during the fiscal year are as follows:

| | Beginning Balance | Additions | (Deletions) | Ending Balance | Due within one year |
|---|---|---|---|---|---|
| Long-term debt | | | | | |
| Compensated absences | 141,140 | - | (42,680) | 98,460 | 14,769 |
| Early retirement incentive | 98,200 | 61,125 | (103,000) | 56,325 | 56,325 |
| General obligation bonds | 16,625,000 | - | (1,025,000) | 15,600,000 | 1,120,000 |
| Total long-term debt | 16,864,340 | 61,125 | (1,170,680) | 15,754,785 | 1,191,094 |

The requirements to pay principal and interest on the long-term debt outstanding as of year-end are shown below:

| | General Obligation Bonds | |
|---|---|---|
| Year Ended June 30 | Principal | Interest |
| 2023 | 1,120,000 | 323,586 |
| 2024 | 1,125,000 | 299,512 |
| 2025 | 1,175,000 | 275,338 |
| 2026 | 1,225,000 | 250,162 |
| 2027 | 1,280,000 | 223,974 |
| 2028-2032 | 5,860,000 | 753,860 |
| 2033-2036 | 3,815,000 | 161,756 |
| Total long-term debt | 15,600,000 | 2,288,188 |

**NOTE 8 - RETIREMENT BENEFITS**

**Plan Description**

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System's financial statements are available on the ORS website at 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 Sept. 30, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended Sept. 30, 2021.

| **Pension Contribution Rates** | | |
|---|---|---|
| **Benefit Structure** | **Member** | **Employer** |
| Basic | 0.0 - 4.0% | 19.78% |
| Member Investment Plan | 3.0 - 7.0% | 19.78% |
| Pension Plus | 3.0 - 6.4% | 16.82% |
| Pension Plus 2 | 6.2% | 19.59% |
| Defined Contribution | 0.0% | 13.39% |

Required contributions to the pension plan from the District were $1,082,310 for the year ended Sept. 30, 2021.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**
At September 30, 2021, the District reported a liability of $8,533,918 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. the District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At Sept. 30, 2021, the District's proportion was 0.03605 percent, which was a decrease of -0.00015 percent from its proportion measured as of Sept. 30, 2020.

For the plan year ending September 30, 2021, the District recognized pension expense of $820,747. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| **Description** | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Changes of Assumptions | 537,948 | |
| Net difference between projected and actual earnings on pension plan investments | - | 2,743,627 |
| Differences between actual and expected experience | 132,194 | 50,255 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | - | 219,384 |
| Employer contributions subsequent to the measurement date | 1,159,020 | - |
| **Total** | 1,829,162 | 3,013,266 |

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 ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses) | |
|---|---|
| 2022 | (342,080) |
| 2023 | (557,245) |
| 2024 | (697,377) |
| 2025 | (746,422) |

**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: | Sept. 30, 2020 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 2.75% |
| Investment Rate of Return: | |
| - MIP and Basic Plans: | 6.80% net of investment expenses |
| - Pension Plus Plan: | 6.80% net of investment expenses |
| - Pension Plus 2 Plan: | 6.00% net of investment expenses |
| Projected Salary Increases: | 2.75 - 11.55%, including wage inflation at 2.75% |
| Cost-of-Living Pension Adjustments: | 3% Annual Non-Compounded for MIP Members |
| Mortality (Retirees): | RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Mortality (Active): | RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |

| *Notes:* |
|---|
| - *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.* |
| - *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4367* |
| - *Recognition period for assets in years: 5.0000* |
| - *Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at 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 Sept. 30, 2021, are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return* |
|---|---|---|
| Domestic Equity Pools | 25.0% | 5.4% |
| Private Equity Pools | 16.0% | 9.1% |
| International Equity Pools | 15.0% | 7.5% |
| Fixed Income Pools | 10.5% | (0.7)% |
| Real Estate and Infrastructure Pools | 10.0% | 5.4% |
| Absolute Return Pools | 9.0% | 2.6% |
| Real Return/Opportunistic Pools | 12.5% | 6.1% |
| Short-Term Investment Pools | 2.0% | 1.3% |
| TOTAL | 100.0% | |
| *Long-term rates of return are net of administrative expenses and 2.0% inflation. | | |

**Rate of Return**
For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

| 1% Decrease<br>5.80% / 5.80% / 5.00% | Current Single Discount Rate Assumption<br>6.80% / 6.80% / 6.00% | 1% Increase<br>7.80% / 7.80% / 7.00% |
|---|---|---|
| 12,201,189 | 8,533,918 | 5,493,511 |
| ** Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.* | | |

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

**Payables to the Michigan Public School Employees' Retirement System (MPSERS)**
The District reported payables to the defined benefit pension plan in the amount of $179,138 as of June 30, 2022.

## NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE)

**Plan Description**

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

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

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

The System's financial statements are available on the ORS website at Michigan.gov/ORSschools.

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning Jan. 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 Sept. 3, 2012 or were on an approved professional services or military leave of absence on Sept. 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 Sept. 30, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended Sept. 30, 2021.

| **OPEB Contribution Rates** | | |
|---|---|---|
| **Benefit Structure** | **Member** | **Employer** |
| Premium Subsidy | 3.00% | 8.43% |
| Personal Healthcare Fund (PHF) | 0.00% | 7.57% |

Required contributions to the OPEB plan from the District were $266,447 for the year ended September 30, 2021.

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

At September 30, 2021, the District reported a liability of $547,858 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of Sept. 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The 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 Sept. 30, 2021, the District’s proportion was 0.03589 percent, which was a decrease of 0.00007 percent from its proportion measured as of Oct. 1, 2020.

For the plan year ending September 30, 2021, the District recognized OPEB expense of $330,627. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| **Description** | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Changes of Assumptions | 457,982 | 68,531 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 412,930 |
| Differences between actual and expected experience | - | 1,563,821 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,747 | 73,302 |
| Employer contributions subsequent to the measurement date | 267,460 | - |
| Total | 729,189 | 2,118,584 |

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses) | |
|---|---|
| 2022 | (437,290) |
| 2023 | (402,408) |
| 2024 | (364,624) |
| 2025 | (325,397) |
| 2026 | (112,394) |
| Thereafter | (14,742) |

**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: | Sept. 30, 2020 |
| 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: | Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120<br>Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120 |
| Mortality (Retirees): | RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Mortality (Active): | RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Other Assumptions (Opt-Out Assumption): | 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan. |
| Other Assumptions (Survivor Coverage): | 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death |
| Other Assumptions (Coverage Election at Retirement): | 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents. |

| *Notes:* |
|---|
| - *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual valuations beginning with the Sept. 30, 2018 valuation. The total OPEB liability as of Sept. 30, 2021, is based on the results of an actuarial valuation date of Sept. 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.* |
| - *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312* |
| - *Recognition period for assets in years: 5.0000* |

- *Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at 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 Sept. 30, 2021, are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return* |
|---|---|---|
| Domestic Equity Pools | 25.0% | 5.4% |
| Private Equity Pools | 16.0% | 9.1% |
| International Equity | 15.0% | 7.5% |
| Fixed Income Pools | 10.5% | (0.7)% |
| Real Estate and Infrastructure Pools | 10.0% | 5.4% |
| Absolute Return Pools | 9.0% | 2.6% |
| Real Return/Opportunistic Pools | 12.5% | 6.1% |
| Short-Term Investment Pools | 2.0% | (1.3)% |
| TOTAL | 100.0% | |
| *Long-term rates of return are net of administrative expenses and 2.0% inflation. | | |

**Rate of Return**
For the fiscal year ended Sept. 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

| 1% Decrease 5.95% | Current Discount Rate 6.95% | 1% Increase 7.95% |
|---|---|---|
| 1,018,019 | 547,858 | 148,859 |

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

| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|
| 133,344 | 547,858 | 1,014,236 |

**OPEB Plan Fiduciary Net Position**
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS CAFR, available on the ORS website at Michigan.gov/ORSSchools.

**Payables to the OPEB Plan**
The District reported payables to the defined benefit OPEB plan in the amount of $26,869 as of June 30, 2022.

**NOTE 10 - NET INVESTMENT IN CAPITAL ASSETS**
As of June $30^{th}$, the composition of net investment in capital assets was comprised of the following:

| Net investment in capital assets | Amount |
|---|---|
| Capital assets not being depreciated | 5,773,504 |
| Capital assets being depreciated, net | 4,401,290 |
| Capital related general obligation bonds | (15,600,000) |
| Unamortized premium on bonds | (314,693) |
| Unspent bond proceeds | 8,850,888 |
| Net investment in capital assets | 3,110,989 |

**NOTE 11 - RISK MANAGEMENT**
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance.

**NOTE 12 – RETIREMENT INCENTIVE PLAN**
Certain teachers and administrators of the District have elected to participate in a retirement incentive program established by the District for those meeting various eligibility requirements. The District deposits funds into a special pay plan created in accordance with Section 403b of the Internal Revenue Code on behalf of the qualifying employee. The employee may utilize such funds in a manner specified by the special pay plan. The expenditures for this plan were $103,000 for the year ended June 30. The outstanding long-term liability under this plan at year-end is included in NOTE 7 – DEBT.

**NOTE 13 – CONTINGENT LIABILITIES**
Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability for the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**NOTE 14 – ECONOMIC DEPENDENCE**
The District receives over 75% of its General Fund revenues from the Michigan Department of Education. Due to the significance of this revenue source, the District is considered to be economically dependent.

**NOTE 15 – CONSTRUCTION COMMITMENTS**
The District has active construction projects as of June 30th. The projects include construction of a new wing for the elementary school building. As of June 30th, the District's commitments with contractors are as follows:

| Project | Spent-to-Date | Remaining Commitment |
|---|---|---|
| Breckenridge Elementary School building construction | 2,279,189 | 1,085,623 |
| Breckenridge Middle/High School remodel | 1,569,503 | 4,542,562 |

**NOTE 16 - TAX ABATEMENTS**
The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

| Municipality | Amount |
|---|---|
| Wheeler Township | 11,263 |

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

There are no significant abatements made by the District.

**NOTE 17 - PRIOR PERIOD ADJUSTMENT**
The prior period adjustment in these financial statements was for the purpose of eliminating a deficit fund balance in a debt service fund and impacted the following funds:

| Description | Amount |
|---|---|
| 2010 Bond | 7,121 |
| 2012 Bond | (7,121) |

**NOTE 18 - JOINT VENTURE**
The District is a member of the Middle Michigan Network for Educational Telecommunications (MMNET). As a member of MMNET, the District was required to purchase an interest in various communication equipment and services as well as pay for annual administrative costs incurred by Gratiot-Isabella RESD, the administrative agent. Information regarding the purchase of equipment and services is shown in the above notes.

The MMNET Consortium was established by a previously approved inter local Consortium Agreement. The purpose of MMNET is to provide for interactive voice/video/data interconnections and services required for, or useful in, the instruction and training of students and other persons utilizing the participants services, the conducting of research, or the administrative operations of the participants; and to enable the participants to cooperatively share their resources for the ownership, financing, installation, administration and operation of MMNET. The District does not have an explicit, measurable equity interest in MMNET. Therefore an asset has not been reported in connection with the District's participation in this joint venture.

Additional information on MMNET, including separate financial statements, is available by contacting the fiscal agent at Gratiot-Isabella Regional Education Service District, 1131 East Center Street, Ithaca, Michigan 48847.

**NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLE**
For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the District's financial statement after the adoption of GASB Statement 87.

**NOTE 20 – SUBSEQUENT EVENTS**
On August 22, 2022 (after the end of the fiscal year), the District borrowed $800,000 in one note from Huntington Bank in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 3.37% and is payable on August 21, 2023. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

**NOTE 21 - UPCOMING ACCOUNTING PRONOUNCEMENTS**
GASB Statement No. 96, *Subscription-based Information Technology Arrangements,* was issued by the GASB in May 2020 and will be effective for the District's fiscal year ending June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

## REQUIRED SUPPLEMENTARY INFORMATION

Breckenridge Community School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2022

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **Revenues** | | | | |
| Local sources | $ 1,218,918 | $ 1,366,918 | $ 1,373,882 | $ 6,964 |
| State sources | 4,960,193 | 5,346,706 | 5,374,005 | 27,299 |
| Federal sources | 930,966 | 958,820 | 937,543 | (21,277) |
| Other sources | 251,520 | 301,118 | 301,118 | - |
| Total revenues | 7,361,597 | 7,973,562 | 7,986,548 | 12,986 |
| **Expenditures** | | | | |
| Instruction | | | | |
| Basic programs | 3,283,505 | 3,537,458 | 3,522,519 | 14,939 |
| Added needs | 1,075,433 | 1,239,640 | 1,190,268 | 49,372 |
| Total instruction | 4,358,938 | 4,777,098 | 4,712,787 | 64,311 |
| Support services | | | | |
| Pupil | 299,247 | 344,383 | 338,330 | 6,053 |
| Instructional staff | 213,792 | 246,147 | 242,144 | 4,003 |
| General administration | 294,213 | 320,619 | 310,333 | 10,286 |
| School administration | 508,362 | 572,614 | 559,761 | 12,853 |
| Business services | 84,548 | 79,358 | 77,847 | 1,511 |
| Operation and maintenance | 683,725 | 831,154 | 792,255 | 38,899 |
| Pupil transportation | 403,527 | 440,462 | 425,967 | 14,495 |
| Central | 633,381 | 53,851 | 48,498 | 5,353 |
| Athletics | 217,444 | 236,652 | 236,339 | 313 |
| Total support services | 3,338,239 | 3,125,240 | 3,031,474 | 93,766 |
| Community services | 97,200 | 181,877 | 182,828 | (951) |
| Debt service | 13,000 | 4,500 | 2,284 | 2,216 |
| Total expenditures | 7,807,377 | 8,088,715 | 7,929,373 | 159,342 |
| Revenues over (under) expenditures | (445,780) | (115,153) | 57,175 | 172,328 |
| **Other financing sources (uses)** | | | | |
| Transfers out | (100) | (100) | - | 100 |
| Total other financing sources (uses) | (100) | (100) | - | 100 |
| **Net change in fund balance** | (445,880) | (115,253) | 57,175 | 172,428 |
| **Fund balances - beginning** | 1,121,444 | 1,121,444 | 1,121,444 | - |
| **Fund balances - ending** | $ 675,564 | $ 1,006,191 | $ 1,178,619 | $ 172,428 |

Breckenridge Community School District
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information

## Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability

| Schedule of District's Proportionate Share of the Net Pension Liability | Plan year Sept 30, 2021 | Plan year Sept 30, 2020 | Plan year Sept 30, 2019 |
|---|---|---|---|
| District's proportion of net pension liability (%) | 0.03605% | 0.03620% | 0.03687% |
| District's proportionate share of net pension liability | $ 8,533,918 | $ 12,433,922 | $ 12,209,472 |
| District's covered employee payroll | $ 3,240,644 | $ 3,176,453 | $ 3,148,044 |
| District's proportionate share of net pension liability as a percentage of its covered employee payroll (%) | 263.34% | 391.44% | 387.84% |
| Plan fiduciary net position as a percentage of total pension liability | 72.60% | 59.72% | 60.31% |

*Note: Amounts were determined as of 9/30 of each fiscal year.*

## Schedule of the Reporting Unit's Contributions

| Schedule of the District's Contributions | Fiscal year June 30, 2022 | Fiscal year June 30, 2021 | Fiscal year June 30, 2020 |
|---|---|---|---|
| Statutorily required Pension contributions | $ 1,237,153 | $ 1,356,315 | $ 973,195 |
| Contributions in relation to statutorily required contributions | $ 1,237,153 | $ 1,356,315 | $ 973,195 |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| District’s covered-employee payroll | $ 3,590,624 | $ 3,178,900 | $ 3,161,090 |
| Contributions as a percentage of covered-employee payroll | 34.46% | 42.67% | 30.79% |

*Note: Amounts were determined as of 6/30 of each year.*

**Notes to Required Supplementary Information**

Changes of benefit terms: There were no changes of benefit terms
Changes of assumptions: There were no changes of benefit assumptions

Breckenridge Community School District
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information

**Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability**

| Schedule of District's Proportionate Share of the Net Pension Liability | Plan year Sept 30, 2018 | Plan year Sept 30, 2017 | Plan year Sept 30, 2016 | Plan year Sept 30, 2015 | Plan year Sept 30, 2014 |
|---|---|---|---|---|---|
| District's proportion of net pension liability (%) | 0.03766% | 0.03767% | 0.03867% | 0.03999% | 0.03858% |
| District's proportionate share of net pension liability | $ 11,320,016 | $ 9,762,583 | $ 9,646,788 | $ 9,767,221 | $ 8,498,904 |
| District's covered employee payroll | $ 3,233,256 | $ 3,134,323 | $ 3,314,745 | $ 3,383,836 | $ 3,262,514 |
| District's proportionate share of net pension liability as a percentage of its covered employee payroll (%) | 350.11% | 311.47% | 291.03% | 288.64% | 260.50% |
| Plan fiduciary net position as a percentage of total pension liability | 62.36% | 63.27% | 63.01% | 62.92% | 66.20% |

*Note: Amounts were determined as of 9/30 of each fiscal year.*

**Schedule of the Reporting Unit's Contributions**

| Schedule of the District's Contributions | Fiscal year June 30, 2019 | Fiscal year June 30, 2018 | Fiscal year June 30, 2017 | Fiscal year June 30, 2016 | Fiscal year June 30, 2015 |
|---|---|---|---|---|---|
| Statutorily required Pension contributions | $ 960,309 | $ 1,010,363 | $ 883,631 | $ 926,377 | $ 709,496 |
| Contributions in relation to statutorily required contributions | $ 960,309 | $ 1,010,363 | $ 883,631 | $ 926,377 | $ 709,496 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 3,090,818 | $ 3,254,045 | $ 3,096,357 | $ 3,262,279 | $ 3,225,898 |
| Contributions as a percentage of covered-employee payroll | 31.07% | 31.05% | 28.54% | 28.40% | 21.99% |

*Note: Amounts were determined as of 6/30 of each year.*

**Notes to Required Supplementary Information**

Changes of benefit terms: There were no changes of benefit terms
Changes of assumptions: There were no changes of benefit assumptions

## Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability

| Schedule of District's Proportionate Share of the Net OPEB Liability | Plan year Sept 30, 2021 | Plan year Sept 30, 2020 | Plan year Sept 30, 2019 | Plan year Sept 30, 2018 | Plan year Sept 30, 2017 |
|---|---|---|---|---|---|
| District's proportion of net OPEB liability (%) | 0.03589% | 0.03596% | 0.03612% | 0.03750% | 0.03752% |
| District's proportionate share of net OPEB liability | $ 547,858 | $ 1,926,527 | $ 2,592,903 | $ 2,980,735 | $ 3,322,162 |
| District's covered employee payroll | $ 3,240,644 | $ 3,176,453 | $ 3,148,044 | $ 3,233,256 | $ 3,134,323 |
| District's proportionate share of net pension liability as a percentage of its covered employee payroll (%) | 16.91% | 60.65% | 82.37% | 92.19% | 105.99% |
| Plan fiduciary net position as a percentage of total pension liability | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

*Note: Amounts were determined as of 9/30 of each fiscal year.*

## Schedule of the Reporting Unit's Contributions

| Schedule of the District's Contributions | Fiscal year June 30, 2022 | Fiscal year June 30, 2021 | Fiscal year June 30, 2020 | Fiscal year June 30, 2019 | Fiscal year June 30, 2018 |
|---|---|---|---|---|---|
| Statutorily required OPEB contributions | $ 299,160 | $ 422,814 | $ 272,326 | $ 261,125 | $ 255,989 |
| Contributions in relation to statutorily required contributions | $ 299,160 | $ 422,814 | $ 272,326 | $ 261,125 | $ 255,989 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| District’s covered-employee payroll | $ 3,590,624 | $ 3,178,900 | $ 3,161,090 | $ 3,090,818 | $ 3,254,045 |
| Contributions as a percentage of covered-employee payroll | 8.33% | 13.30% | 8.61% | 8.45% | 7.87% |

*Note: Amounts were determined as of 6/30 of each year.*

### Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms

Changes of assumptions: The Healthcare cost trend rate was broken into two groups: Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 grated to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

# OTHER SUPPLEMENTARY INFORMATION

Breckenridge Community School District
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2022

| | Food Service | Student Activities | Debt Service Funds 2008 Bond | 2010 Bond | 2012 Bond | 2020 Bond | Total Non-major Funds |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | $ 87,892 | $ 176,868 | $ 41,193 | $ - | $ - | $ 262,878 | $ 568,831 |
| Due from other funds | 24,789 | 95 | - | - | 48,875 | - | 73,759 |
| Due from other governmental units | 20,178 | - | - | - | - | - | 20,178 |
| Total assets | $ 132,859 | $ 176,963 | $ 41,193 | $ - | $ 48,875 | $ 262,878 | $ 662,768 |
| **Liabilities** | | | | | | | |
| Accounts payable | $ 2,014 | $ 756 | $ - | $ - | $ - | $ - | $ 2,770 |
| Accrued expenditures | 644 | - | - | - | - | - | 644 |
| Due to other funds | - | - | 4,791 | - | - | 44,084 | 48,875 |
| Total liabilities | 2,658 | 756 | 4,791 | - | - | 44,084 | 52,289 |
| **Fund Balance** | | | | | | | |
| Restricted | | | | | | | |
| Food service | 130,201 | - | - | - | - | - | 130,201 |
| Student activities | - | 176,207 | - | - | - | - | 176,207 |
| Debt service | - | - | 36,402 | - | 48,875 | 218,794 | 304,071 |
| Total fund balance | 130,201 | 176,207 | 36,402 | - | 48,875 | 218,794 | 610,479 |
| Total liabilities and fund balance | $ 132,859 | $ 176,963 | $ 41,193 | $ - | $ 48,875 | $ 262,878 | $ 662,768 |

Breckenridge Community School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2022

| | | | Debt Service Funds | | | | Total |
|---|---|---|---|---|---|---|---|
| | Food Service | Student Activities | 2008 Bond | 2010 Bond | 2012 Bond | 2020 Bond | Non-major Funds |
| **Revenues** | | | | | | | |
| Local sources | $ 9,476 | $ 315,587 | $ 16,373 | $ - | $ 375,956 | $ 882,422 | $ 1,599,814 |
| State sources | 12,991 | - | - | - | 38,494 | 86,611 | 138,096 |
| Federal sources | 423,125 | - | - | - | - | - | 423,125 |
| Total revenues | 445,592 | 315,587 | 16,373 | - | 414,450 | 969,033 | 2,161,035 |
| **Expenditures** | | | | | | | |
| Food service | 503,802 | - | - | - | - | - | 503,802 |
| Student / school activities | - | 298,462 | - | - | - | - | 298,462 |
| Bond principal | - | - | - | - | 335,000 | 690,000 | 1,025,000 |
| Interest, fees and other | - | - | - | - | 49,563 | 295,513 | 345,076 |
| Other | - | - | - | - | - | 300 | 300 |
| Total expenditures | 503,802 | 298,462 | - | - | 384,563 | 985,813 | 2,172,640 |
| **Net change in fund balances** | (58,210) | 17,125 | 16,373 | - | 29,887 | (16,780) | (11,605) |
| **Fund balance, beginning of year** | 188,411 | 159,082 | 20,029 | (7,121) | 26,109 | 235,574 | 622,084 |
| **Prior period adjustment** | - | - | - | 7,121 | (7,121) | - | - |
| **Fund balance, end of year** | $ 130,201 | $ 176,207 | $ 36,402 | $ - | $ 48,875 | $ 218,794 | $ 610,479 |

The notes are an integral part of these financial statements.

### Communication with Those Charged with Governance at the Conclusion of the Audit

To the Members of the Board
Breckenridge Community School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Breckenridge Community School District (the District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>
*Qualitative Aspects of Accounting Practices*
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. The District changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87 Leases. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Note 19 - Change In Accounting Principle. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.
>
> Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> The assumptions used in the actuarial valuations of the pension and other postemployment benefit plans are based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the information used in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

<u>Other Matters</u>

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedule and the prospective 10-year trend information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We were engaged to report on the combining statements which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

<u>Restriction on Use</u>

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

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants