

Bullock Creek School District
Midland, Michigan

Financial Statements
With Supplementary Information
June 30, 2021



Bullock Creek School District
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June 30, 2021

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To the Board of Education
Bullock Creek School District
Midland, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental 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 25, 2021, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C." The signature is written in black ink and is positioned above the printed name of the firm.

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

October 25, 2021

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

The following discussion and analysis of the Bullock Creek School District's financial performance provides an overall review of the District's financial activities and position for the fiscal year ended June 30, 2021. Readers should also review the financial statements, the notes to the financial statements and the supplementary information to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The basic financial statements include two kinds of statements that present different views of the District: the district-wide financial statements and the fund financial statements.

District-wide Financial Statements

The District-wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District-wide statements: The Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Bullock Creek School District include Capital Project Funds, Fiduciary Funds, Debt Service Funds and a Special Revenue Fund for Food Service.

Bullock Creek School District is the trustee, or fiduciary, for its student activity funds established for the benefit of our students. These fiduciary activities are reported in a separate statement of fiduciary

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

assets and liabilities. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

Summary of the Statement of Net Position

	Governmental Activities		
	June 30, 2021	June 30, 2020	Change
Assets			
Current assets	\$ 9,308,712	\$ 11,910,482	\$ (2,601,770)
Capital assets	44,384,151	39,982,537	4,401,614
Less accumulated depreciation	(19,033,173)	(17,900,797)	(1,132,376)
Capital assets			
net book value	25,350,978	22,081,740	3,269,238
Deferred outflows of resources	12,326,804	13,684,678	(1,357,874)
Total assets	46,986,494	47,676,900	(690,406)
Liabilities			
Current liabilities	6,756,949	6,614,051	142,898
Noncurrent liabilities	58,893,569	60,054,831	(1,161,262)
Total liabilities	65,650,518	66,668,882	(1,018,364)
Deferred inflows of resources	6,350,835	6,135,524	215,311
Net Position			
Net investment in capital assets	12,837,694	12,058,373	779,321
Restricted	451,818	346,601	105,217
Unrestricted	(38,304,371)	(37,379,118)	(925,253)
Total net position	\$ (25,014,859)	\$ (24,974,144)	\$ (40,715)

Unrestricted net position is similar but not identical to fund balance. Reserves for grants, deferred gifts and debt service within the fund balance are treated as restricted assets since they are not available for general operations. A reconciliation of the difference between the change net position and change in fund balance is on page 4.

Effective for the year ended June 30, 2015, the District adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions, and Statements No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date*. This change impacted every public school district participating in MPERS, and will continue to significantly affect the District's financial statements for years to come. Please refer to Note 11 of the Financial Statements for further details.

The net position for the District decreased by \$40,716 during the 2020-21 year. The *Summary of the Statement of Activities* (above) shows the details of this change.

The *Summary of the Statement of Activities* shows the change from another perspective. As shown in the *Summary of the Statement of Net Position*, the majority of the change in total Revenues is due to an increase in State/Federal funding due to COVID additional funding we received. The net change

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

in total liabilities is an increase, which is related to the increase cost to clean buildings and busses and additional tuition cost for remote learning, which was offered during the 2020-2021 school year.

Summary of the Statement of Activities

	Governmental Activities		
	Year ended 2021	Year ended 2020	Difference
Revenues			
Program Revenues			
Charges for Services	\$ 203,225	\$ 565,890	\$ (362,665)
Operating Grants/Contributions	2,158,366	1,260,061	898,305
Capital Grants/Contributions	-	-	-
General Revenues			
Property Taxes	3,117,890	3,086,063	31,827
State Foundation Allowance	17,987,549	17,162,280	825,269
Other	2,122,653	2,180,851	(58,198)
Total Revenues	<u>25,589,683</u>	<u>24,255,145</u>	<u>1,334,538</u>
Expenses			
Instruction	15,743,031	14,514,653	1,228,378
Support Services	8,417,082	7,800,709	616,373
Food Services	906,673	1,179,789	(273,116)
Other Transactions	563,613	1,144,074	(580,461)
Total Expenses	<u>25,630,399</u>	<u>24,639,225</u>	<u>991,174</u>
Change in Net Position	<u>\$ (40,716)</u>	<u>\$ (384,080)</u>	<u>\$ 343,364</u>

Approximately 82% of the District's revenues are received from State sources. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Normally, Student count is figured by 90% of the October count is added to 10% of the previous year's February count. But the pandemic has forced changes. For 2020-2021 the blend is 75% of last year's count and 25% of this year's, for both October and February.
3. The amount raised by the District's non principal residence exemption tax levy of 18 mills.

The School District's Funds

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$4,416,892, which is a decrease of \$2,922,296 from last year. The primary reasons for the decreases are:

- In the General Fund, our principal operating fund, the fund balance increased by \$939,762. The district experienced lower operational costs due to occasional school shutdowns, less transportation, and limited sports. There were also multiple COVID related grants awarded to the district that offset some of the expenses that would have normally been covered by General Fund.
- A 2016 & 2019 Capital Projects Fund was created through the issuance of bonds, which are used for capital related projects. At the end of 2019-20, a total of \$761,230 of the bond

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

proceeds remain in the fund balance to be spent in 2021-22 on the purchase of new buses, technology equipment and building improvements throughout the district. Most of the construction projects started in 2019-20 and 2020-21 were completed as of June 30, 2021 and payments made.

- In the Special Revenue Funds, the Food Service fund balance increased by \$120,300. This was due to being able to offer meals to our students who chose to attend school remotely, during the 2020-21 school year and the Federal Government using a larger than normal reimbursement rate. During this time, the Food Service Program provided a drive through pick up option for a lunch and breakfast for any child in the area 18 years or younger. Area day cares were included in this program.
- The Student Activity accounts are no longer presented as fiduciary funds, but are now considered a Special Revenue Fund. The total fund balance at year end for these funds is \$247,026.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. In 2020-21 the State was able to fully fund the Bullock Creek School District foundation allowance of \$8,111 per pupil.

Student Enrollment

The District's student enrollment for the fall count of 2020-2021 was 1,841 students. This is a decrease of 20 students from the previous September. While the District has seen an overall decrease in students in previous years, it continues to have a strong school of choice population. This is due, in part, to the District offering some unique programs that other area schools do not offer such as Nature K-2 and a Young Fives program. The following summarizes fall student enrollments in the past five years:

Enrollment History

<u>Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2020-2021	1841	(20)
2019-2020	1861	34
2018-2019	1827	11
2017-2018	1816	(2)
2016-2017	1,818	(46)

Preliminary student enrollment projections for 2021-2022 indicate that enrollments are likely to decrease compared to 2021-2022. The District uses county birthrates, current enrollment, and community factors as part of this forecast. The projection of student enrollment for 2021-22 is also impacted by the COVID-19 pandemic. The District will have to determine the number of students who may attend in person and the number that will attend virtually. Both sets of numbers will have to be reviewed at each semester.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

Property Taxes Levied for General Operations

The District levies 18.0 mills of property taxes on non principal residence exemption properties and 6.0 mills on Commercial personal property for operations (General Fund). Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

Local Property Tax History

Year	Local Property Tax Revenue	% of General Fund Revenue
2020-2021	\$ 1,059,221	4.8%
2019-2020	\$ 1,028,636	5.1%
2018-2019	\$ 1,002,451	5.1%
2017-2018	\$ 866,538	4.6%
2016-2017	\$ 846,428	4.5%
2015-2016	\$ 868,740	4.8%
2014-2015	\$ 861,934	4.9%

Capital Assets

At June 30, 2021, the District had \$25,350,979 invested in capital assets including land, construction in progress, buildings, furniture, and equipment.

Assets	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 329,898	\$ 1,254,844
Buildings and additions	40,230,962	35,443,018
Equipment and furniture	1,593,490	1,324,855
Buses and other vehicles	2,229,802	1,959,820
Subtotal	44,384,152	39,982,537
Less accumulated depreciation	(19,033,173)	(17,900,797)
Total	\$ 25,350,979	\$ 22,081,740

Debt Administration

At June 30, 2020, the District had \$15,190,000 in general obligation bonds outstanding for capital projects. During the 2019-2020 fiscal year, the District levied a debt millage of 7.0 mills that generated

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

revenue of \$1,970,230 and was based on the taxable value of all properties within the District. The revenue raised by the debt levy is used to pay maturities on the general obligation bonds.

The School District's general obligation bond rating continues to be equivalent to the State's credit rating.

For more detailed information on debt, please see the accompanying Notes to the Financial Statements.

Original versus Revised Budget

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2020-2021 was approved on June 29, 2020 and amended in October 2020, April and June of 2021.

General Fund Revenues

Total Revenues Revised Budget	\$22,202,778
Total Revenues Original Budget	<u>\$18,814,859</u>
Change	<u>\$3,387,919</u>

The District's actual general fund revenues were higher than the revised budget by \$395,396 a variance of 2.76%, due to additional Federal COVID.

General Fund Expenditures

Total Expenditures Revised Budget	\$21,131,056
Total Expenditures Original Budget	<u>\$19,419,082</u>
Change	<u>\$1,711,974</u>

The District's actual general fund expenditures were less than the revised budget by \$606,188, a variance of 2.9%.

General Fund expenditures were less than anticipated because the District had less transportation and operation expenses, more students return to face to face instruction in the second semester and there were limited sports due to COVID-19.

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. The other key factor in determining revenue is the actual per pupil foundation allowance established in the State Aid Act. The Board of Education was required by law to approve the 2020-2021 budget by

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

July 1, 2020. The District's initial budget was based on a per pupil foundation allowance of \$8,111 and a count of 1861 students.

Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to: Director of Business Services, Bullock Creek School District, 1420 South Badour Road, Midland, MI 48640; telephone number 989-631-9022.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



Bullock Creek School District
Statement of Net Position
June 30, 2021

Assets

Current assets	
Cash and cash equivalents	\$ 4,363,179
Investments	668,448
Due from other governmental units	3,970,378
Asset held for sale	293,363
Other current assets	13,344
Total current assets	9,308,712
Noncurrent assets	
Capital assets not being depreciated	329,898
Capital assets being depreciated, net	25,021,080
Total noncurrent assets	25,350,978
Total assets	34,659,690

Deferred outflows of resources

Deferred outflow - related to debt refunding	129,014
Deferred outflow - related to pension	9,021,332
Deferred outflow - related to other post-employment benefits	3,176,458
Total deferred outflows of resources	12,326,804

Liabilities

Current liabilities	
Accounts payable	261,252
State aid loan payable	2,045,716
Due to other governmental units	107,383
Accrued expenses	2,272,654
Unearned revenue	204,815
Accrued interest	60,183
Compensated absences due within one year	53,410
Long-term obligations due within one year	1,715,000
Capital lease due within one year	36,536
Total current liabilities	6,756,949
Noncurrent liabilities	
Compensated absences due beyond one year	302,659
Long-term obligations due beyond one year	11,807,012
Premium on long-term obligations	549,246
Capital lease due beyond one year	150,340
Net pension liability	39,826,115
Net other post-employment benefit liability	6,258,197
Total noncurrent liabilities	58,893,569
Total liabilities	65,650,518

Deferred inflows of resources

Deferred inflow - related to pension	163,184
Deferred inflow - related to other post-employment benefits	4,670,094
Deferred inflow - 147c allocation	1,517,557
Total deferred inflows of resources	6,350,835

Net position

Net investment in capital assets	12,837,694
Restricted for Food Service	312,621
Restricted for Debt Service	139,197
Unrestricted	(38,304,371)
Total net position	\$ (25,014,859)

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

Functions / Programs	Expenses	Program Revenues		Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 15,743,031	\$ -	\$ 1,103,524	\$ (14,639,507)
Support services	8,417,082	57,342	-	(8,359,740)
Food service	906,673	7,303	1,054,842	155,472
Student activities	115,282	138,580	-	23,298
Building improvement services	52,880	-	-	(52,880)
Community services	17,763	-	-	(17,763)
Interest and fees	377,688	-	-	(377,688)
Total governmental activities	<u>\$ 25,630,399</u>	<u>\$ 203,225</u>	<u>\$ 2,158,366</u>	<u>(23,268,808)</u>
General revenues:				
Property taxes				3,117,890
State aid not restricted to specific purposes				17,987,549
Intermediate sources				1,297,479
Interest and investment earnings				3,950
Other revenues				821,224
Total general revenues				<u>23,228,092</u>
Change in net position				(40,716)
Net position - beginning				<u>(24,974,143)</u>
Net position - ending				<u>\$ (25,014,859)</u>

FUND FINANCIAL STATEMENTS



Bullock Creek School District
Balance Sheet - Governmental Funds
June 30, 2021

	General	2019 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,267,277	\$ 92,782	\$ 1,003,120	\$ 4,363,179
Investments	-	668,448	-	668,448
Due from other funds	83,325	-	135,545	218,870
Due from other governmental units	3,904,112	-	66,266	3,970,378
Asset held for sale	293,363	-	-	293,363
Other current assets	13,344	-	-	13,344
Total assets	\$ 7,561,421	\$ 761,230	\$ 1,204,931	\$ 9,527,582
Liabilities				
Accounts payable	\$ 258,357	\$ -	\$ 2,895	\$ 261,252
State aid loan payable	2,045,716	-	-	2,045,716
Due to other governmental units	-	-	107,383	107,383
Due to other funds	135,546	-	83,324	218,870
Accrued expenditures	2,265,529	-	7,125	2,272,654
Unearned revenue	204,815	-	-	204,815
Total liabilities	4,909,963	-	200,727	5,110,690
Fund balance				
Nonspendable	306,707	-	-	306,707
Restricted	-	761,230	698,844	1,460,074
Committed	85,000	-	-	85,000
Assigned	-	-	305,360	305,360
Unassigned	2,259,751	-	-	2,259,751
Total fund balances	2,651,458	761,230	1,004,204	4,416,892
Total liabilities and fund balances	\$ 7,561,421	\$ 761,230	\$ 1,204,931	\$ 9,527,582

Bullock Creek School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to the Net Position of Governmental Activities on the Statement of Net Position
June 30, 2021

Total fund balance - governmental funds	\$	4,416,892
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Add:	Cost of capital assets	44,384,151
Deduct:	Accumulated depreciation	(19,033,173)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Deduct:	2012 Bonds	-
Deduct:	2014 Refunding Bonds	(490,000)
Deduct:	2015 Bonds	(490,000)
Deduct:	2015 Refunding Bonds	(1,830,000)
Deduct:	2016 Bonds	(4,640,000)
Deduct:	2019 Bonds	(5,855,000)
Deduct:	School loan revolving fund	(217,012)
Deduct:	Premium on 2019 bonds	(549,246)
Deduct:	2018 Capital lease	-
Deduct:	2021 Capital lease	(186,876)
<p>Other amounts reported in the statement of activities that do not require current financial resources consist of:</p>		
Add:	Deferred outflow - related to 2014 refunding bonds	46,869
Add:	Deferred outflow - related to 2015 refunding bonds	82,145
Add:	Deferred outflow - related to pension	9,021,332
Add:	Deferred outflow - related to other post-employment benefits	3,176,458
Deduct:	Net pension liability	(39,826,115)
Deduct:	Net other post-employment benefit liability	(6,258,197)
Deduct:	Deferred inflow - related to pension	(163,184)
Deduct:	Deferred inflow - related to other post-employment benefits	(4,670,094)
Deduct:	Deferred inflow - 147c allocation	(1,517,557)
Deduct:	Compensated absences payable	(356,069)
Deduct:	Accrued interest on long-term liabilities	(60,183)
Total net position - governmental activities	\$	<u>(25,014,859)</u>

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

	General	2019 Capital Projects	Total Nonmajor Funds	Total
Revenues				
Local sources	\$ 1,364,617	\$ 3,530	\$ 2,161,238	\$ 3,529,385
State sources	17,927,462	-	149,178	18,076,640
Federal sources	1,361,019	-	1,054,842	2,415,861
Other sources	1,297,479	-	527,813	1,825,292
Total revenues	<u>21,950,577</u>	<u>3,530</u>	<u>3,893,071</u>	<u>25,847,178</u>
Expenditures				
Instruction				
Basic programs	10,655,056	-	-	10,655,056
Added needs	2,936,088	-	-	2,936,088
Continuing education	187,921	-	-	187,921
Total instruction	<u>13,779,065</u>	<u>-</u>	<u>-</u>	<u>13,779,065</u>
Support services				
Pupil services	1,222,562	-	-	1,222,562
Instructional staff	637,321	-	-	637,321
General administration	289,302	-	-	289,302
School administration	1,272,467	-	-	1,272,467
Business services	391,372	1,250	1,000	393,622
Operation and maintenance	1,792,010	-	-	1,792,010
Pupil transportation	1,060,208	269,982	-	1,330,190
Central	198,962	-	-	198,962
Other	321,483	-	-	321,483
Total support services	<u>7,185,687</u>	<u>271,232</u>	<u>1,000</u>	<u>7,457,919</u>
Food service	-	-	1,001,954	1,001,954
Student activities	-	-	115,282	115,282
Capital outlay	189,794	3,813,899	484,833	4,488,526
Debt service				
Principal	36,878	-	1,885,000	1,921,878
Interest, fees and other	3,165	-	408,491	411,656
Total expenditures	<u>21,194,589</u>	<u>4,085,131</u>	<u>3,896,560</u>	<u>29,176,280</u>
Revenues over (under) expenditures	755,988	(4,081,601)	(3,489)	(3,329,102)
Other financing sources (uses)				
Proceeds from SLRF	-	-	217,012	217,012
Proceeds from capital lease	189,794	-	-	189,794
Transfers in	-	-	6,000	6,000
Transfers out	(6,000)	-	-	(6,000)
Net change in fund balances	939,782	(4,081,601)	219,523	(2,922,296)
Fund balances - beginning	<u>1,711,676</u>	<u>4,842,831</u>	<u>784,681</u>	<u>7,339,188</u>
Fund balances - ending	<u>\$ 2,651,458</u>	<u>\$ 761,230</u>	<u>\$ 1,004,204</u>	<u>\$ 4,416,892</u>

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

Net change in fund balances - total governmental funds \$ (2,922,296)

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 outlay	5,572,924
Deduct:	Depreciation expense	(1,321,272)
Deduct:	Loss on disposal of capital assets	(982,414)

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 no 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:	Payment of 2012 Bonds	660,000
Add:	Payment of 2014 Refunding Bonds	505,000
Add:	Payment of 2015 Bonds	480,000
Add:	Payment of 2015 Refunding Bonds	50,000
Add:	Payment of 2016 Bonds	190,000
Deduct:	Payment of 2019 Bonds	-
Deduct:	Proceeds from School loan revolving fund	(217,012)
Add:	Amortization of 2019 Bond premium	42,249
Add:	Payment of 2018 Capital lease	82,859
Deduct:	Proceeds from 2021 Capital lease	(189,794)
Add:	Payment of 2021 Capital lease	2,918

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 2014 refunding bonds	(46,867)
Deduct:	Change in deferred outflow - related to 2015 refunding bonds	(16,428)
Deduct:	Change in deferred outflow - related to pension	(1,756,177)
Add:	Change in deferred outflow - related to other post-employment benefits	461,597
Deduct:	Change in net pension liability	(2,212,685)
Add:	Change in net other post-employment benefit liability	1,958,376
Add:	Change in deferred inflow - related to pension	1,391,933
Deduct:	Change in deferred inflow - related to other post-employment benefits	(1,503,111)
Deduct:	Change in accrual for compensated absences	(19,137)
Add:	Change in accrued interest on long-term liabilities	6,115

Revenue in support of pension contribution made subsequent to the measurement date.

Deduct:	Change in deferred inflow - 147c allocation	(257,495)
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Net change in net position - governmental activities \$ (40,716)

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bullock Creek 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.

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. 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. 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.

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

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. 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. Separate statements for each fund 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 funds* account for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects. The District accounts for the 2019 Capital Projects activity in the capital projects funds

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 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 the debt service activity in the Debt Service Fund.
- The *capital projects funds* account for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects. The District accounts for the Capital Projects activity in the capital projects funds.

Measurement Focus and Basis of Accounting

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

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

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

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

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. The capital projects fund is appropriated on a project-length basis. 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. The District does not consider these amendments to be significant.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2021

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

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Prepaid expenses

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.

Asset held for sale

Students participating in the home building course annually build a residential home for the community which is eventually sold. The direct costs to the School District for the build are reflected in total as an asset held for sale.

Due from/to other 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 and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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 property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land	Not Depreciated
Construction in process	Not Depreciated
Buildings and improvements	7 - 50
Capital lease	5
Furniture and equipment	5 - 20
Vehicles	6

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.

Deferred Outflows

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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 in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

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.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including

Bullock Creek School District
Notes to the Financial Statements
June 30, 2021

refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions

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

Net Position and Fund Balances

Restricted net position shown in the Government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental fund financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

Net Position – Restrictions

Net position in the government-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- *Committed fund balance* - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.
- *Assigned fund balance* - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- *Unassigned fund balance* - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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 7.00 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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2021

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 18.00 mills as well as 6.00 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30th, the carrying amount of the District's cash, cash equivalents and investments were as follows:

Description	Amount
Petty Cash	1,630
Checking, Savings, & Money Market Accounts	4,361,549
Investments	668,448
Total	5,031,627

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30th, the fair value of the District's investments is the same as the value of the pool shares.

The other pooled investment fund is Michigan Class. Michigan Class is considered a local government investment pool of "qualified" investments for Michigan School Districts. Michigan Class is not regulated nor is it registered with the SEC. Michigan Class reports as of year-end, the fair value of the District's investments is the same as the value of the pooled shares.

MILAF, as defined by the GASB, are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures. Michigan Class is recorded at fair value and are subject to fair value disclosures.

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.

Credit risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2021

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30th, \$4,197,793 of the District's bank balance of \$ \$4,447,793 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

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.

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

Michigan Class investments are subject to the fair value measurement and are level 2.

Investment Type	Fair Value	Weighted Average Maturity	Standard & Poor's Rating	%
MILAF External Investment pool – MICMC	668,448	80 days	AAAm	100%

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

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	83,325	135,546
Food Service	125,545	72,803
Student Activities	10,000	10,521
Total	218,870	218,870

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2021

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	3,411,244
Federal grants and other pass-through agencies	559,134
Total	3,970,378

No allowance for doubtful accounts is considered necessary.

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					
Land	278,944	-	-	-	278,944
Construction in process	975,900	50,954	(975,900)		50,954
Total capital assets not being depr.	1,254,844	50,954	(975,900)	-	329,898
Capital assets being depreciated					
Buildings and improvements	35,443,018	4,787,944	-	-	40,230,962
Capital lease	195,410	199,698	(195,410)	-	199,698
Furniture and equipment	1,129,445	264,347	-	-	1,393,792
Vehicles	1,959,820	269,982	-	-	2,229,802
Total capital assets being depr.	38,727,693	5,521,970	(195,410)	-	44,054,253
Accumulated depreciation					
Buildings and improvements	(15,941,637)	(909,029)	-	-	(16,850,666)
Capital lease	(156,328)	(39,225)	188,896	-	(6,657)
Furniture and equipment	(510,267)	(110,370)	-	-	(620,637)
Vehicles	(1,292,565)	(262,649)	-	-	(1,555,214)
Total accumulated depreciation	(17,900,797)	(1,321,272)	188,896	-	(19,033,173)
Net capital assets being depreciated	20,826,896	4,200,698	(6,514)	-	25,021,080
Net capital assets	22,081,740	4,251,652	(982,414)	-	25,350,978

Depreciation for the year ended June 30th was allocated as follows:

Governmental Activities	Amount
Instruction	832,585
Support services	474,092
Food services	14,595
Total depreciation	1,321,272

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2021

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, 2020, the District borrowed \$3,580,000 from the Michigan Finance Authority in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 0.75% and is payable on August 20, 2021. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms.

On August 20, 2021 (after the end of the fiscal year), the District borrowed \$3,500,000 from the Michigan Finance Authority in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 0.75% and is payable on August 22, 2022. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

	Beginning Balance	Additions	(Deletions)	Ending Balance
State Aid Note	2,045,716	3,580,000	(3,580,000)	2,045,716

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 2019 bond	591,495	-	(42,249)	549,246

Deferred charge on refunding

The District issued bonds in 2014 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$374,938. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year 2022.

The District issued bonds in 2015 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$180,713. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year 2026.

The following summarizes the activity of the deferred amount on refunding:

Deferred outflow related to refunding	Beginning Balance	Additions	(Deletions)	Ending Balance
Related to 2014 refunding bonds	93,736	-	(46,867)	46,869
Related to 2015 refunding bonds	98,573	-	(16,428)	82,145
Total	192,309	-	(63,295)	129,014

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Long-term debt

	Amount
General obligation bonds:	
2014 refunding bonds due in annual installments of \$490,000 to \$545,000 through May 1, 2022 with an interest rate from 2.05% to 2.80%	490,000
2015 building and site bonds due in annual installments of \$380,000 to \$490,000 through May 1, 2022 with an interest rate from 1.85% to 2.55%	490,000
2015 refunding bonds due in annual installments of \$50,000 to \$460,000 through May 1, 2026 with an interest rate from 1.45% to 3.05%	1,830,000
2016 building and site bonds due in annual installments of \$140,000 to \$905,000 through May 1, 2027 with an interest rate from 1.25% to 2.15%	4,640,000
2019 building and site bonds due in annual installments of \$150,000 to \$680,000 through May 1, 2034 with an interest rate from 2.00% to 5.00%	5,855,000
Total general obligation bonds:	13,305,000
Direct borrowings and direct placements:	
School Loan Revolving Fund – repayment terms and current interest rate discussed in related note below. Balance due includes principal balance of \$215,148 and accrued interest of \$1,864.	217,012
Capital lease due in monthly installments of \$3,328 through May 2026 with an interest rate of 2.00%	186,876
Total direct borrowings and direct placements:	403,888

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

Direct borrowings and direct placements

School Bond Loan Fund/School Loan Revolving Fund

Borrowing from the State of Michigan - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the District, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30th was 3.00%.

Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.0 mills. The school district is required to levy 7.0 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 7.0 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

Capital lease

The District entered into a lease agreement as lessee for financing the acquisition of copiers valued at \$189,794. The copiers have a 5 year estimated useful life. This year, \$6,657 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

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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	336,932	69,677	(50,540)	356,069	53,410
General obligation bonds	15,190,000	-	(1,885,000)	13,305,000	1,715,000
Direct borrowings and direct placements	82,859	406,806	(85,777)	403,888	36,536
Total long-term debt	15,609,791	476,483	(2,021,317)	14,064,957	1,804,946

The requirements to pay principal and interest on the long-term debt outstanding at June 30th, are shown below:

Year Ended June 30	General Obligation Bonds		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	1,715,000	367,209	36,536	3,404
2023	1,670,000	324,001	37,273	2,666
2024	1,710,000	277,941	38,026	1,914
2025	1,710,000	228,391	38,793	1,147
2026	1,200,000	177,351	36,248	363
2027 - 2031	3,280,000	508,526	-	-
2032 - 2036	2,020,000	85,338		
Total long-term debt	13,305,000	1,968,757	186,876	9,494

NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS

As of June 30th, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	329,898
Capital asset being depreciated, net	25,021,080
Deferred amount on debt refunding	129,014
Capital related general obligation bonds	(13,522,012)
Capital lease	(186,876)
Unspent bond proceeds held in the capital projects fund	1,066,590
Net investment in capital assets	12,837,694

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in the MESSA risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The District has purchased commercial insurance for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 10 - RETIREMENT BENEFITS

Plan Description

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

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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, 2019 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

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

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

Required contributions to the pension plan from the District were \$3,186,139 for the year ended Sept. 30, 2020.

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

At June 30, 2021, the District reported a liability of \$39,826,115 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. the

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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, 2020, the District's proportion was 0.11593844%, which was an increase of 0.00235974% from its proportion measured as of Sept. 30, 2019.

For the year ending June 30, 2021, the District recognized pension expense of \$5,979,888. At June 30, 2021, 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	4,413,118	-
Net difference between projected and actual earnings on pension plan investments	167,332	-
Differences between actual and expected experience	608,510	85,003
Changes in proportion and differences between Employer contributions and proportionate share of contributions	692,640	78,181
Employer contributions subsequent to the measurement date	3,139,732	-
Total	9,021,332	163,184

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2021	2,484,456
2022	1,850,886
2023	1,044,009
2024	339,065

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

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Mortality:

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

Active Members: P-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, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2020 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, 2020, are summarized in the following table:

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

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

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

Discount Rate

A discount rate of 6.80% was used to measure the total pension 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

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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 5.80% / 5.80% / 5.00%	Current Single Discount Rate Assumption 6.80% / 6.80% / 6.00%	1% Increase 7.80% / 7.80% / 7.00%
51,548,150	39,826,115	30,111,161
<i>* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.</i>		

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 \$545,570 as of June 30, 2021.

NOTE 11 – 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,

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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, 2019 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

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

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the District were \$825,341 for the year ended September 30, 2020.

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

At June 30, 2021, the District reported a liability of \$6,258,197 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of Sept. 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net OPEB liability was determined by dividing each 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, 2020, the District's proportion was 0.11681698%, which was an increase of 0.00234408% from its proportion measured as of Oct. 1, 2019.

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For the year ending June 30, 2021, the District recognized OPEB expense of \$(108,155). At June 30, 2021, 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	2,063,452	-
Net difference between projected and actual earnings on OPEB plan investments	52,232	-
Differences between actual and expected experience	-	4,662,942
Changes in proportion and differences between employer contributions and proportionate share of contributions	282,843	7,152
Employer contributions subsequent to the measurement date	777,931	-
Total	3,176,458	4,670,094

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to 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)	
2021	(626,846)
2022	(554,068)
2023	(444,265)
2024	(353,820)
2025	(292,568)

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, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 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.

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Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 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 OPEB valuations beginning with the Sept. 30, 2017 valuation. The total OPEB liability as of Sept. 30, 2020, is based on the results of an actuarial valuation date of Sept. 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2020 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, 2019, are summarized in the following table:

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

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

Rate of Return

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

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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%
8,039,366	6,258,197	4,758,603

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
4,701,186	6,258,197	8,029,106

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 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 \$105,699 as of June 30, 2021.

NOTE 12 – TRANSFERS

During the year the following transfers were made between funds:

- The transfer of \$6,000 from the general fund to the food service fund was for the required At-Risk school breakfast program supplement. Districts operating a school breakfast program are required to use up to \$10 per student for the costs associated with the operation of the breakfast program.

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.

NOTE 14 – ECONOMIC DEPENDENCE

The District receives over 80% 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 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, Leases, was issued by the GASB in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases 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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2021

recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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. *GASB Statement No. 87* will be effective for the District's 2021-2022 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION



Bullock Creek School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
Revenues				
Local sources	\$ 1,385,925	\$ 1,371,035	\$ 1,364,617	\$ (6,418)
State sources	15,708,136	17,866,628	17,927,462	60,834
Federal sources	435,010	1,704,115	1,361,019	(343,096)
Other sources	1,285,788	1,261,000	1,297,479	36,479
Total revenues	18,814,859	22,202,778	21,950,577	(252,201)
Expenditures				
Instruction				
Basic programs	9,091,148	10,683,636	10,655,056	28,580
Added needs	3,308,377	2,862,790	2,936,088	(73,298)
Continuing education	293,948	214,941	187,921	27,020
Total instruction	12,693,473	13,761,367	13,779,065	(17,698)
Support services				
Pupil services	1,109,460	1,261,841	1,222,562	39,279
Instructional staff	661,547	631,261	637,321	(6,060)
General administration	294,786	289,200	289,302	(102)
School administration	1,209,762	1,301,152	1,272,467	28,685
Business services	450,468	390,532	391,372	(840)
Operation and maintenance	1,507,601	1,815,698	1,792,010	23,688
Pupil transportation	977,082	1,059,504	1,060,208	(704)
Central	167,085	195,519	198,962	(3,443)
Other	289,645	327,182	321,483	5,699
Total support services	6,667,436	7,271,889	7,185,687	86,202
Capital outlay	-	-	189,794	(189,794)
Debt service	58,173	97,800	40,043	57,757
Total expenditures	19,419,082	21,131,056	21,194,589	(63,533)
Other financing sources (uses)				
Proceeds from capital lease	-	-	189,794	(189,794)
Transfers in (out)	-	-	(6,000)	6,000
Revenues over (under) expenditures	(604,223)	1,071,722	939,782	(131,940)
Fund balance - beginning	1,711,676	1,711,676	1,711,676	-
Fund balance - ending	\$ 1,107,453	\$ 2,783,398	\$ 2,651,458	\$ (131,940)

Bullock Creek School District
Required Supplemental Information
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information - Pension

Schedule of the District's Proportionate Share of the Net Pension Liability (NPL)

Description	Plan year Sept 30, 2014	Plan year Sept 30, 2015	Plan year Sept 30, 2016	Plan year Sept 30, 2017	Plan year Sept 30, 2018	Plan year Sept 30, 2019	Plan year Sept 30, 2020
District's proportion of NPL (%)	0.1094264%	0.11246060%	0.11442470%	0.11226140%	0.11225920%	0.11357870%	0.11593844%
District's proportionate share of NPL	\$ 24,102,818	\$ 27,468,529	\$ 28,548,019	\$ 29,091,709	\$ 33,747,154	\$ 37,613,430	\$ 39,826,115
District's covered employee payroll	\$ 9,297,179	\$ 9,448,595	\$ 9,780,231	\$ 9,278,784	\$ 9,613,513	\$ 9,998,901	\$ 10,341,780
District's proportionate share of NPL as a percentage of its covered employee payroll	259.25%	290.72%	291.90%	313.53%	351.04%	376.18%	385.10%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%	63.27%	64.21%	62.36%	60.31%	59.72%

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

Schedule of the District's Pension Contributions

Description	Fiscal year June 30, 2015	Fiscal year June 30, 2016	Fiscal year June 30, 2017	Fiscal year June 30, 2018	Fiscal year June 30, 2019	Fiscal year June 30, 2020	Fiscal year June 30, 2021
Statutorily required pension contributions	\$ 1,992,636	\$ 2,409,246	\$ 2,621,418	\$ 2,869,591	\$ 2,978,965	\$ 3,131,247	\$ 3,338,414
Contributions in relation to statutorily required pension contributions	1,992,636	2,409,246	2,621,418	2,869,591	2,978,965	3,131,247	3,338,414
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,362,550	\$ 9,414,968	\$ 9,336,285	\$ 9,487,017	\$ 9,896,387	\$ 10,382,173	\$ 9,940,824
Contributions as a percentage of covered-employee payroll	21.28%	25.59%	28.08%	30.25%	30.10%	30.16%	33.58%

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

Bullock Creek School District
 Required Supplemental Information
 Michigan Public School Employees Retirement Plan
 Prospective 10-year trend information - OPEB

Schedule of the District's Proportionate Share of the Net OPEB Liability

Description	Plan year Sept 30, 2017	Plan year Sept 30, 2018	Plan year Sept 30, 2019	Plan year Sept 30, 2020
District's proportion of net OPEB liability (%)	0.11246120%	0.11297540%	0.11447290%	0.11681698%
District's proportionate share of net OPEB liability	\$ 9,958,967	\$ 8,980,362	\$ 8,216,573	\$ 6,258,197
District's covered employee payroll	\$ 9,278,784	\$ 9,613,513	\$ 9,998,901	\$ 10,341,780
District's proportionate share of net OPEB liability as a percentage of its covered Plan fiduciary net position as a percentage of total OPEB liability	107.33%	93.41%	82.17%	60.51%
	36.39%	42.95%	48.46%	59.44%

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

Schedule of the District's OPEB Contributions

Description	Fiscal year June 30, 2018	Fiscal year June 30, 2019	Fiscal year June 30, 2020	Fiscal year June 30, 2021
Statutorily required OPEB contributions	\$ 695,930	\$ 826,172	\$ 883,939	\$ 864,688
Contributions in relation to statutorily required OPEB contributions	695,930	826,172	883,939	864,688
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,487,017	\$ 9,896,387	\$ 10,382,173	\$ 9,940,824
Contributions as a percentage of covered-employee payroll	7.34%	8.35%	8.51%	8.70%

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

OTHER SUPPLEMENTARY INFORMATION



Bullock Creek School District
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2021

	Food Service	Student Activities	Debt Service	Capital Projects	Total Nonmajor Funds
Assets					
Cash and cash equivalents	\$ 311,016	\$ 247,547	\$ 139,197	\$ 305,360	\$ 1,003,120
Due from other funds	125,545	10,000	-	-	135,545
Due from other governmental units	66,266	-	-	-	66,266
Total assets	\$ 502,827	\$ 257,547	\$ 139,197	\$ 305,360	\$ 1,204,931
Liabilities					
Account payable	\$ 2,895	\$ -	\$ -	\$ -	\$ 2,895
Due to other governmental units	107,383	-	-	-	107,383
Due to other funds	72,803	10,521	-	-	83,324
Accrued expenses	7,125	-	-	-	7,125
Total liabilities	190,206	10,521	-	-	200,727
Fund balance					
Restricted	312,621	247,026	139,197	-	698,844
Assigned for capital projects	-	-	-	305,360	305,360
Total fund balances	312,621	247,026	139,197	305,360	1,004,204
Total liabilities and fund balances	\$ 502,827	\$ 257,547	\$ 139,197	\$ 305,360	\$ 1,204,931

Bullock Creek School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Food Service	Student Activities	Debt Service	Capital Projects	Total Nonmajor Funds
Revenues					
Local sources	\$ 7,325	\$ 138,580	\$ 1,967,305	\$ 48,028	\$ 2,161,238
State sources	60,087	-	89,091	-	149,178
Federal sources	1,054,842	-	-	-	1,054,842
Other sources	-	-	-	527,813	527,813
Total revenues	1,122,254	138,580	2,056,396	575,841	3,893,071
Expenditures					
Support services					
Business services	-	-	1,000	-	1,000
Total support services	-	-	1,000	-	1,000
Food service	1,001,954	-	-	-	1,001,954
Student activities	-	115,282	-	-	115,282
Capital outlay	-	-	-	484,833	484,833
Debt service					
Principal	-	-	1,885,000	-	1,885,000
Interest, fees and other	-	-	408,491	-	408,491
Total expenditures	1,001,954	115,282	2,294,491	484,833	3,896,560
Revenues over (under) expenditures	120,300	23,298	(238,095)	91,008	(3,489)
Other financing sources (uses)					
Proceeds from SLRF	-	-	217,012	-	217,012
Transfers in	6,000	-	-	-	6,000
Net change in fund balance	126,300	23,298	(21,083)	91,008	219,523
Fund balances - beginning	186,321	223,728	160,280	214,352	784,681
Fund balances - ending	\$ 312,621	\$ 247,026	\$ 139,197	\$ 305,360	\$ 1,004,204

Bullock Creek School District

Federal Awards
(Supplementary Information
to Financial Statements)
June 30, 2021



Bullock Creek School District
Federal Awards
Supplementary Information to Financial Statements
June 30, 2021

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

To the Board of Education
Bullock Creek School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did identify a deficiency in internal control that we consider to be a material weakness as described in the schedule of findings and questioned costs as finding 2021-001.

Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." in a cursive script.

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

October 25, 2021



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

To the Board of Education
Bullock Creek School District

Report on Compliance for Each Major Federal Program

We have audited Bullock Creek School District' (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on the Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Child Nutrition Cluster (CFDA #10.555, and CFDA #10.559), as described in finding number 2021-002 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2021.

Other Matters

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 25, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Roslund, Prestage & Company, P.C.
Certified Public Accountants
October 25, 2021

Bullock Creek School District
Schedule of Expenditures of Federal Awards
For the Year Ending June 30, 2021

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Pass Through Project Number	Award Amount	Accrued (Deferred) Revenue July 1, 2020	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2021	Amounts paid to Subrecipients
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster:								
<i>Non-cash assistance (commodities)</i>								
Entitlement	10.555	N/A	\$ 56,597	\$ -	\$ 35,284	\$ 35,284	\$ -	\$ -
<i>Cash assistance</i>								
COVID-19 - National School Lunch Program	10.555	200902	536,130	138,533	138,533	-	-	-
Total CFDA #10.555				138,533	173,817	35,284	-	-
Summer Food Service Program for Children	10.559	210904	1,126,941	-	1,067,714	1,019,558	(48,156)	-
Total Child Nutrition Cluster				138,533	1,241,531	1,054,842	(48,156)	-
Total U.S. Department of Agriculture				138,533	1,241,531	1,054,842	(48,156)	-
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	201530	197,904	203,599	203,599	-	-	-
Title I Grants to Local Educational Agencies	84.010	211530	279,229	-	63,206	146,006	82,800	-
Total CFDA #84.010				203,599	266,805	146,006	82,800	-
Student Support and Academic Enrichment Program	84.424	200750	14,099	12,000	12,000	-	-	-
Student Support and Academic Enrichment Program	84.424	200750	16,536	-	-	16,536	16,536	-
Total CFDA #84.424				12,000	-	16,536	16,536	-
Supporting Effective Instruction State Grants	84.367	200520	51,231	9,751	9,751	-	-	-
Supporting Effective Instruction State Grants	84.367	210520	102,985	-	7,097	11,407	4,310	-
Total CFDA #84.367				9,751	16,848	11,407	4,310	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	203710-1920	161,965	-	116,206	161,965	45,759	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213712-2021	390,054	-	-	350,502	350,502	-
Total CFDA #84.425D				-	116,206	512,467	396,261	-
Total passed through the Michigan Department of Education				225,350	399,859	686,416	499,907	-
Passed through Clare-Gladwin RESD								
Education for Homeless Children and Youth	84.196	212320-2021	200	-	200	200	-	-
Total U.S. Department of Education				225,350	400,059	686,616	499,907	-

The accompanying notes are an integral part of this schedule.

Bullock Creek School District
Schedule of Expenditures of Federal Awards
For the Year Ending June 30, 2021

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Pass Through Project Number	Award Amount	Accrued (Deferred) Revenue July 1, 2020	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2021	Amounts paid to Subrecipients
U.S. Department of Treasury								
Passed Through Michigan Department of Education:								
COVID 19 - Coronavirus Relief Funds	21.019	103(2)	22,932	\$ -	\$ 22,931	\$ 22,931	\$ -	\$ -
COVID 19 - Coronavirus Relief Funds	21.019	11p	651,473	-	651,472	651,472	-	-
Total passed through the Michigan Department of Education				-	674,403	674,403	-	-
Passed Through Copper County ISD								
COVID 19 - Coronavirus Relief Funds Miconnectivity Funding	21.019	N/A	77,382	-	77,383	-	(77,383)	-
Total CFDA #21.019				-	751,786	674,403	(77,383)	-
Total U.S. Department of Treasury				-	751,786	674,403	(77,383)	-
Total Federal Awards				\$ 363,883	\$ 2,393,376	\$ 2,415,861	\$ 374,368	\$ -

The accompanying notes are an integral part of this schedule.

Bullock Creek School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Bullock Creek School District under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Bullock Creek School District, it is not intended to and does not present its financial position or changes in net position of Bullock Creek School District.

Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Bullock Creek School District has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenues in the following funds in the financial statements of Bullock Creek School District:

Financial Statements	Amount
General Fund	1,361,019
Food Service Fund	1,054,842
Total federal revenues per financial statements	2,415,861

Accrued (Deferred) revenue reported in the SEFA are included in the following categories in the financial statements.

Financial Statements	Amount
Due from other governmental units (CFDA: #10.559, #84.010, #84.424, #84.367, #84.425)	559,134
Due to other governmental units (CFDA: #10.559)	(107,383)
Unearned revenue (CFDA #21.019)	(77,383)
Total accrued (deferred) revenue per SEFA	374,368

Bullock Creek School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$750,000

- Auditee qualified as low-risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2021-001 – MATERIAL JOURNAL ENTRY

Type: Material Weakness in Internal Control over financial reporting.

Condition: The District's general ledger contained a material error related to revenues recorded at year-end.

Criteria: The District's internal control structure should ensure that accounting data is properly calculated and reported in accordance with generally accepted accounting principles (GAAP).

Cause: This condition was caused by an insufficient internal control process for review of supporting documentation of meal counts to be used for meal claims.

Bullock Creek School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Effect: The District's initial trial balance presented for audit was materially misstated in revenues. Material entries impacted the account balances as follows:

- Reduction of revenue by \$107,383
- Increase of due to other governmental units of \$107,383

Recommendation: We recommend that the District review their process of meal claims and make necessary changes to ensure that all meals claimed, by category, agree to supporting documentation.

Management's Resp: We are in agreement with this finding.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Finding 2021-002 – CASH MANAGEMENT

Type: Material Weakness in Internal Control / Material Noncompliance – Cash Management

Program: Child Nutrition Cluster (CFDA #10.555, and #10.559)

Condition: Meals claimed were not supported by count sheets for either breakfast or lunch for each month meals were served.

Criteria: The District is required to claim meals served, by category, based on reports provided from individual meal serve counts.

Cause: This condition was caused by an insufficient internal control process for review of supporting documentation of meal counts to be used for meal claims.

Effect: Based on a comparison of meals claimed to reports provided from individual meal serve counts, the District has over claimed reimbursement for the year by \$107,383 (\$41,202 for breakfast and \$66,181 for lunch).

Questioned Costs: \$107,383

Recommendation: We recommend that the District review their process of meal claims and make necessary changes to ensure that all meals claimed, by category, agree to supporting documentation.

Management's Resp: We are in agreement with this finding.

Bullock Creek School District
Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

No prior year findings.



October 25, 2021

Finding Number: 2021-001 – Material Journal Entry

Condition: The District's general ledger contained a material error related to revenues recorded at year end

Responsible Person: Stephen Grubaugh – Director of Business Services

Implementation Date: 10-25-2021

During the single audit, it was discovered that Bullock Creek Food Service Department had claimed more meals than they had actually served. The amount additional amount that will be returned was \$107,383, so I entered an adjusting Journal enter in this amount reducing the revenue and offsetting this amount as a du to other governmental entities in the same amount.

To ensure that this does not happen again in the future, we have immediately instituted a consistent method of recording meals served in all 5 of our buildings. We have also reached out to Meal Magic for a quote on a Point-of-Sale system that will also allow for consistent tracking and reporting of meals served by building and will provide a daily report that I will review. Before the monthly claim can be submitted for reimbursement, the Food Service Director (Sherrie VanConant) will submit her meals served to the Administrative Assistant (Julie Neuenfeldt) to enter in the system, and then the Director of Business Services (Stephen Grubaugh) will review the totals for accuracy and approve or request corrections.

Sincerely,

Stephen Grubaugh
Director of Business Services



October 25, 2021

Finding Number: 2021-002 – Cash Management

Condition: Meals claimed were not supported by count sheets for either breakfast or lunch for each month meals were served.

Responsible Person: Stephen Grubaugh – Director of Business Services

Implementation Date: 10-25-2021

During the single audit, it was discovered that Bullock Creek Food Service Department had claimed more meals than they had actually served. The amount additional amount that will be returned was \$107,383, so I entered an adjusting Journal enter in this amount reducing the revenue and offsetting this amount as a du to other governmental entities in the same amount.

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Sincerely,

Stephen Grubaugh
Director of Business Services

MEMORANDUM

TO: Michigan Department of Education

FROM: Roslund, Prestage & Company, P.C.

REGARDING: Management Letter – Bullock Creek School District

According the requirements set forth in the Michigan School Audit Manual, this memorandum is to serve as notification that a management letter has not been issued for Bullock Creek School District as of June 30, 2021.



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

To the Members of the Board of Education
Bullock Creek School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District (the District) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and 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.

Significant Audit Matters

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. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the 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:

The State of Michigan's Office of Retirement Services provided certain estimates to management including proportionate share, net pension liability, net OPEB liability, deferred inflows and deferred outflows of resources information which was used in the preparation of the financial statements. We evaluated the key factors and assumptions used to develop these items in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability of the payout of employee compensated absences upon their retirement 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 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 the capital assets 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.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedules and the prospective 10-year trend information, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of Bullock Creek School 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.
Certified Public Accountants