

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

Pigeon, Michigan

**REPORT ON FINANCIAL STATEMENTS**

(with required supplementary and  
additional supplementary information)

**YEAR ENDED JUNE 30, 2021**

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Elkton Pigeon Bay Port Laker Schools  
Pigeon, 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 Elkton Pigeon Bay Port Laker Schools, as of and for the year ended June 30, 2021, and the related notes to 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 District'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 District'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 Elkton Pigeon Bay Port Laker Schools as of June 30, 2021, and the respective changes in financial position, thereof, for the year then ended in conformity 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 Elkton Pigeon Bay Port Laker School's basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of Elkton Pigeon Bay Port Laker Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Elkton Pigeon Bay Port Laker Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elkton Pigeon Bay Port Laker Schools' internal control over financial reporting and compliance.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CARO, MI

October 29, 2021

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Management's Discussion and Analysis

This section of the annual financial report presents our discussion and analysis of the District's financial performance during the school year ended June 30, 2021. The intent of this discussion and analysis is to provide a look at the District's performance as a whole. Readers should also review the independent auditor's report, notes to the financial statements and financial statements to enhance their understanding of the District's financial performance.

### FINANCIAL HIGHLIGHTS

The General fund reported revenue and other financing sources exceeded expenditures and other uses by \$467,809. This is \$203,220 more than the final budget had anticipated.

The Combined Debt Service funds reported expenditures exceeded revenues by \$10,459.

The Combined Capital Projects funds reported expenditures exceeded revenue and other financing sources by \$(4,190,311) as phases of construction continued during the year.

The Food Service fund reported revenues exceeded expenditures and other financing uses by \$15,490.

The Student/School Activities fund revenue exceeded expenditures by \$78,196.

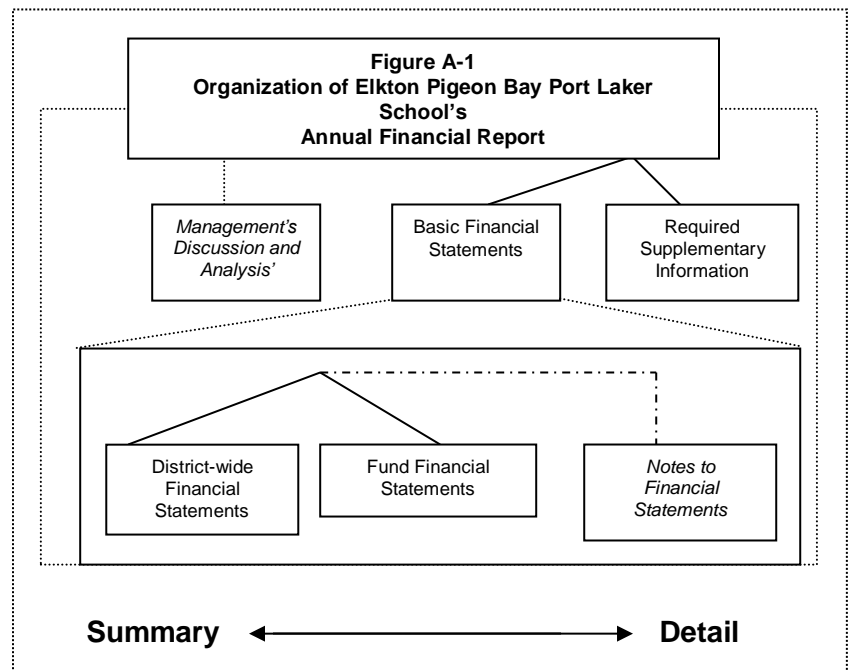
### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.

The *governmental fund* statements tell how *basic* services like instruction and support services were financed in the *short term* as well as what remains for future spending.



## ELKTON PIGEON BAY PORT LAKER SCHOOLS

### Management's Discussion and Analysis

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

<b>Figure A-2</b> <b>Major Features of District-Wide and Fund Financial Statements</b>		
	<u>District-wide Statements</u>	<u>Fund Financial Statements</u>  <u>Governmental Funds</u>
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenue, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

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

#### DISTRICT-WIDE STATEMENTS

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

## **ELKTON PIGEON BAY PORT LAKER SCHOOLS**

### **Management's Discussion and Analysis**

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

Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The District's combined net position at the beginning of the fiscal year was \$(6,270,477) and on June 30, 2021 it was \$(5,523,842) which represents an increase of \$746,635 as recorded in the statement of activities. The increase is primarily due to an increase in construction in progress on capital projects.

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

Governmental activities – Most of the District's basic services are included here, such as instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

#### **FUND FINANCIAL STATEMENTS**

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

Some funds are required by State law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes (like repaying its debt and its capital projects fund) or to show that it is properly using certain revenues (like school lunch and student/school activities).

The District has only governmental funds:

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



# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Management's Discussion and Analysis

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Net Position

The statement of net position provides the perspective of the District as a whole. Table A-3 provides a summary of the District's net position as of June 30, 2021 and 2020.

**Table A-3**  
**Elkton Pigeon Bay Port Laker Schools Net Position**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Difference</u>
<b>Assets</b>			
Current and other assets	\$ 18,137,173	\$ 10,924,205	\$ 7,212,968
Capital assets	<u>19,273,299</u>	<u>25,693,399</u>	<u>(6,420,100)</u>
Total assets	<u>37,410,472</u>	<u>36,617,604</u>	<u>792,868</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding, net of amortization	85,567	108,904	(23,337)
Related to other postemployment benefits	1,539,787	1,429,118	110,669
Related to pensions	<u>4,438,847</u>	<u>5,799,103</u>	<u>(1,360,256)</u>
Total deferred outflows of resources	<u>6,064,201</u>	<u>7,337,125</u>	<u>(1,272,924)</u>
<b>Liabilities</b>			
Other liabilities	2,627,934	3,536,459	(908,525)
Long-term liabilities	<u>43,069,077</u>	<u>43,691,007</u>	<u>(621,930)</u>
Total liabilities	<u>45,697,011</u>	<u>47,227,466</u>	<u>(1,530,455)</u>
<b>Deferred Inflows of Resources</b>			
Related to pensions	209,811	755,026	(545,215)
Related to other postemployment benefits	2,378,848	1,613,798	765,050
Related to state aid funding for pension	<u>712,845</u>	<u>628,916</u>	<u>83,929</u>
Total deferred inflows of resources	<u>3,301,504</u>	<u>2,997,740</u>	<u>303,764</u>
<b>Net Position</b>			
Net investment in capital assets	10,789,347	9,609,263	1,180,084
Restricted for debt service	429,805	434,690	(4,885)
Unrestricted	<u>(16,742,994)</u>	<u>(16,314,430)</u>	<u>(428,564)</u>
Total net position	<u>\$ (5,523,842)</u>	<u>\$ (6,270,477)</u>	<u>\$ 746,635</u>

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Management's Discussion and Analysis

The statement of activities shows the results of this year's operations for Elkton Pigeon Bay Port Laker Schools as a whole. Table A-4 shows the changes in net position of the District as of June 30, 2021 and 2020.

**Table A-4**  
**Elkton Pigeon Bay Port Laker Schools Changes in Net Position**

	<u>June 30, 2021</u>		<u>June 30, 2020</u>		<u>Difference</u>
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	
<b>General Revenues</b>					
Property taxes	\$ 6,353,669	42.64%	\$ 6,336,137	43.24%	\$ 17,532
Investment earnings	8,998	0.06%	144,532	0.99%	(135,534)
State sources	4,906,790	32.93%	5,937,559	40.52%	(1,030,769)
Transfers from other districts	874,169	5.87%	-	0.00%	874,169
Sale of assets	1,702	0.01%	2,225	0.02%	(523)
Other	91,629	0.61%	138,167	0.94%	(46,538)
Total general revenues	<u>12,236,957</u>	<u>82.12%</u>	<u>12,558,620</u>	<u>85.71%</u>	<u>(321,663)</u>
<b>Program Revenues</b>					
Charges for services	38,502	0.26%	176,901	1.21%	(138,399)
Operating grants and contributions	2,626,699	17.63%	1,863,774	12.72%	762,925
Capital grants and contributions	-	0.00%	54,836	0.37%	(54,836)
Total revenues	<u>14,902,158</u>	<u>100.00%</u>	<u>14,654,131</u>	<u>100.00%</u>	<u>248,027</u>
<b>Expenses</b>					
Instruction	6,867,631	48.52%	7,757,769	51.46%	(890,138)
Support services	4,669,513	32.99%	4,651,666	30.86%	17,847
Community services	37,379	0.26%	10,258	0.07%	27,121
Transfers to other governmental units	76,560	0.54%	-	0.00%	76,560
Facilities Improvement	23,786	0.16%	-	0.00%	23,786
Food services	645,514	4.56%	595,383	3.95%	50,131
Capital Projects	42,278	0.30%	-	0.00%	42,278
Interest on long-term debt	702,694	4.96%	900,661	5.97%	(197,967)
Student / school activities	201,360	1.42%	292,640	1.94%	(91,280)
Unallocated depreciation expense	888,808	6.29%	866,414	5.75%	22,394
	<u>14,155,523</u>	<u>100.00%</u>	<u>15,074,791</u>	<u>100.00%</u>	<u>(919,268)</u>
Change in net position	<u>\$ 746,635</u>		<u>\$ (420,660)</u>		<u>\$ 1,167,295</u>

# **ELKTON PIGEON BAY PORT LAKER SCHOOLS**

## **Management's Discussion and Analysis**

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The District uses funds to help it control and manage money for particular purposes. The reader can look at these funds to help determine whether the Elkton Pigeon Bay Port Laker School District is being held accountable for the resources taxpayers and others provide to it, and it may give them insight into the District's overall financial health.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the 2020/2021 school year, the governmental funds reported a combined fund balance of \$5,188,877.

#### **Factors Affecting Fund Balance**

- *General Fund Balance* – Increased \$467,809.
- *Grants* – The District received grants for food service, professional development, parent programs, at risk, and literacy programs. These help to offset the cost of instructional budget items normally paid from fund balance.
- *Combined Debt Service Fund Balance* – Decreased \$10,459.
- *Combined Capital Projects Fund Balance* – Decreased \$4,190,311.
- *Food Service Fund Balance* – Increased \$15,490.
- *Student/School Activities* – Increased \$78,196.

#### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the District revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. The final amendment to the budget was actually adopted just before the year-end, along with the new adopted budget for the upcoming school year.

Initial budget amendments were made to reflect the impact of changes to increases in grant funds, the impact of actual student counts and finalizing the amount to be received in state aid. Also, budget amendments were required to reflect staffing changes and contract settlements.

Original revenues and other financing sources were budgeted at \$9,809,995 and the actual revenue amount was \$11,279,770. The original budget amount for expenditures and transfers was \$10,256,580 and the actual amount was \$10,811,961.

The final amended budget was set to complete the fiscal year with an excess of \$264,585. Final results showed that revenue and other financing sources came in \$172,860 greater than anticipated, and expenditures and other financing uses were less than anticipated by \$30,364. The net result was a change in fund balance of \$467,809 increasing fund balance to \$2,355,025. This represents approximately 22% of one year expenditures.

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Management's Discussion and Analysis

### General Fund Budgetary Highlights continued...

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (negative)	% Variance
Total revenues	\$ 9,794,995	\$ 11,090,315	\$ 11,243,068	\$ 152,753	1.38%
Expenditures:					
Instruction	\$ 5,957,790	\$ 6,582,705	\$ 6,573,853	\$ 8,852	0.13%
Supporting services	3,997,135	4,120,765	4,100,383	20,382	0.49%
Community services	10,240	37,455	37,379	76	0.20%
Facilities improvements	-	23,790	23,786	4	0.02%
Transfers to other governmental units	278,210	76,560	76,560	-	0.00%
Principal payments	13,205	1,050	-	1,050	100.00%
Total expenditures	\$ 10,256,580	\$ 10,842,325	\$ 10,811,961	\$ 30,364	0.28%
Other Financing sources (uses):					
Sale of school property	\$ -	\$ 1,595	\$ 1,702	\$ 107	6.71%
Transfers from other funds	15,000	15,000	35,000	\$ 20,000	133.33%
Total other financings sources (uses)	\$ 15,000	\$ 16,595	\$ 36,702	\$ 20,107	121.16%

### Capital Asset and Debt Administration

#### Capital Assets

The District had capital asset dispositions of \$202,811 in machinery and equipment and \$7,437,818 in construction in progress. The District's capital additions for the year are as follows:

Buildings	\$ 6,585,729
Outdoor improvements	1,177,030
Machinery and equipment	205,045
Vehicles	0
Construction in progress	<u>4,392,194</u>
Total additions	<u>\$ 12,359,968</u>

## ELKTON PIGEON BAY PORT LAKER SCHOOLS Management's Discussion and Analysis

The District's capital assets at cost at year-end are outlined in Table A-7.

**Table A-7**  
**Elkton Pigeon Bay Port Laker Schools Capital Assets**

	<u><b>2021</b></u>	<u><b>2020</b></u>
Buildings	\$ 24,266,354	\$ 17,680,625
Site improvements	4,369,462	3,192,432
Machinery and equipment	2,805,135	2,802,900
Buses and other vehicles	1,010,737	1,010,737
Construction in progress	<u>10,449,871</u>	<u>13,495,496</u>
Totals	<u><b>\$ 42,901,559</b></u>	<u><b>\$ 38,182,190</b></u>

### ***Debt Administration***

As of June 30, 2021, the District had general obligation bonds on the financial statements in the amount of \$20,704,396. The final payments are due in 2043.

As of June 30, 2021, the District had compensated absences payable, which include accumulated sick and vacation pay, totaling \$238,757.

We present more detailed information about our long-term liabilities in the notes to financial statements, see note 6.

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several areas that could have an impact on the 2021-2022 fiscal year and the near future.

While the State of Michigan has approved the state budget and categorical funding for 2021-2022 which provides a larger boost to revenue than what has been seen in many years, the past several years have seen marginal increases and marginal increases or cuts are always something that could happen in the future. The COVID pandemic has changed how schools function and puts even more emphasis on distance learning through technology. COVID funding has helped offset many new costs related to technology needs and additional expenditures related to needs to education students during this difficult time. As always, there are still expenditures that are beyond the control of the board of education and administration. Pension costs continue to increase, which causes significant financial resources to be unavailable for educational services. The cost of the State pension system continues to absorb more State resources in the form of categorical MPERS rate reimbursements.

Health insurance costs continue to rise. The District plans to continue to explore alternative insurance packages to give the District the most cost effective plan. School employees reimburse the school district for amounts exceeding the Health Care Cap as set by the state.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Financial Officer, EPBP Laker Schools, 6136 Pigeon Road, Pigeon, Michigan, 48755, and telephone number (989) 453-4602.

## BASIC FINANCIAL STATEMENTS

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**STATEMENT OF NET POSITION**  
June 30, 2021

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash and equivalents	\$ 2,985,463
Investments	1,525,823
Receivables:	
Accounts receivable	25,520
Taxes receivable	30,888
Intergovernmental receivable	1,250,224
Prepaid expenditures	184,378
Restricted cash - capital projects funds	1,137,705
Restricted investments - capital projects funds	547,301
Capital assets not being depreciated	10,449,871
Capital assets, net of accumulated depreciation	19,273,299
<b>TOTAL ASSETS</b>	<b>37,410,472</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding, net of amortization	85,567
Related to other postemployment benefits	1,539,787
Related to pensions	4,438,847
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,064,201</b>
<b>LIABILITIES</b>	
Accounts payable	62,469
Due to other governments	11
Accrued salaries and related items	637,862
Accrued retirement	258,590
Accrued interest	135,509
Note payable	1,500,000
Unearned revenue	33,493
Noncurrent liabilities:	
Due within one year	1,215,000
Due in more than one year	19,728,153
Net other postemployment benefit liability	2,942,628
Net pension liability	19,183,296
<b>TOTAL LIABILITIES</b>	<b>45,697,011</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	209,811
Related to other postemployment benefits	2,378,848
Related to state aid funding for pension	712,845
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,301,504</b>
<b>NET POSITION</b>	
Net investment in capital assets	10,789,347
Restricted for debt service	429,805
Unrestricted	(16,742,994)
<b>TOTAL NET POSITION</b>	<b>\$ (5,523,842)</b>

See notes to financial statements.

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	\$ 6,867,631	\$ 2,100	\$ 1,180,843	\$ (5,684,688)
Support services	4,669,513	900	506,076	(4,162,537)
Community services	37,379	-	-	(37,379)
Facilities Improvement	23,786	-	-	(23,786)
Transfers to other governmental units	76,560	-	-	(76,560)
Food services	645,514	35,502	660,224	50,212
Capital projects	42,278	-	-	(42,278)
Interest on long-term debt	702,694	-	-	(702,694)
Student/school activities	201,360	-	279,556	78,196
Unallocated depreciation	888,808	-	-	(888,808)
Total governmental activities	<u>\$ 14,155,523</u>	<u>\$ 38,502</u>	<u>\$ 2,626,699</u>	<u>(11,490,322)</u>
General revenues:				
Property taxes, levied for general purposes				3,606,379
Property taxes, levied for debt service				1,977,443
Property taxes, levied for capital projects				769,847
State sources - unrestricted				4,906,790
Investment earnings				8,998
Transfers from other districts				874,169
Sale of assets				1,702
Other				91,629
Total general revenues				<u>12,236,957</u>
Change in net position				746,635
Net position, beginning of year				<u>(6,270,477)</u>
Net position, end of year				<u>\$ (5,523,842)</u>



**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2021

	<b>GENERAL FUND</b>	<b>COMBINED DEBT SERVICE</b>	<b>COMBINED CAPITAL PROJECTS</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>					
Cash and equivalents	\$ 1,836,043	\$ 538,449	\$ -	\$ 610,971	\$ 2,985,463
Investments	1,525,823	-	-	-	1,525,823
Receivables:					
Accounts receivable	21,087	-	-	4,433	25,520
Taxes receivable	1,176	21,365	8,347	-	30,888
Intergovernmental receivable	1,246,477	-	-	3,747	1,250,224
Due from other funds	20,000	-	-	-	20,000
Prepaid expenditures	183,441	500	-	437	184,378
Restricted cash - capital projects	-	-	1,137,705	-	1,137,705
Restricted investments - capital projects	-	-	547,301	-	547,301
<b>TOTAL ASSETS</b>	<b><u>\$ 4,834,047</u></b>	<b><u>\$ 560,314</u></b>	<b><u>\$ 1,693,353</u></b>	<b><u>\$ 619,588</u></b>	<b><u>\$ 7,707,302</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
LIABILITIES:					
Accounts payable	\$ 46,729	\$ 500	\$ -	\$ 15,240	\$ 62,469
Due to other governments	11	-	-	-	11
Due to other funds	-	-	-	20,000	20,000
Accrued salaries and related items	635,199	-	-	2,663	637,862
Accrued retirement	258,590	-	-	-	258,590
Interest payable - state aid note	6,000	-	-	-	6,000
Note payable - State Aid	1,500,000	-	-	-	1,500,000
Unearned revenue	32,493	-	-	1,000	33,493
<b>TOTAL LIABILITIES</b>	<b><u>2,479,022</u></b>	<b><u>500</u></b>	<b><u>-</u></b>	<b><u>38,903</u></b>	<b><u>2,518,425</u></b>
FUND BALANCES:					
Nonspendable for prepaid expenditures	183,441	500	-	437	184,378
Restricted for:					
Capital projects and sinking funds	-	-	1,693,353	-	1,693,353
Debt service	-	559,314	-	-	559,314
Food service	-	-	-	168,589	168,589
Committed for:					
Student / school activities	-	-	-	363,784	363,784
Assigned for:					
Subsequent year expenditures	-	-	-	47,875	47,875
Unassigned	2,171,584	-	-	-	2,171,584
<b>TOTAL FUND BALANCES</b>	<b><u>2,355,025</u></b>	<b><u>559,814</u></b>	<b><u>1,693,353</u></b>	<b><u>580,685</u></b>	<b><u>5,188,877</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 4,834,047</u></b>	<b><u>\$ 560,314</u></b>	<b><u>\$ 1,693,353</u></b>	<b><u>\$ 619,588</u></b>	<b><u>\$ 7,707,302</u></b>

See notes to financial statements.

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

**Total Fund Balances - Governmental Funds** **\$ 5,188,877**

Amounts reported for governmental activities in the statement of net position are different because:

Deferred outflows of resources - charges on refunding, net of amortization	85,567
Deferred outflows of resources - related to pensions	4,438,847
Deferred outflows of resources - related to other postemployment benefits	1,539,787
Deferred inflows of resources - related to pensions	(209,811)
Deferred inflows of resources - related to other postemployment benefits	(2,378,848)
Deferred inflows of resources - related to state aid pension funding	(712,845)

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is	42,901,559
Accumulated depreciation is	(13,178,389)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Long-term debt obligations	(20,704,396)
Compensated absences/retirement incentives	(238,757)
Accrued interest is not reported as a liability in governmental funds; it is recorded when paid	(129,509)
Net other postemployment benefit liability	(2,942,628)
Net pension liability	(19,183,296)

<b>Net Position of Governmental Activities</b>	<b>\$ (5,523,842)</b>
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See notes to financial statements.

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	<b>GENERAL FUND</b>	<b>COMBINED DEBT SERVICE</b>	<b>COMBINED CAPITAL PROJECTS</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES:</b>					
Local sources					
Property taxes	\$ 3,606,379	\$ 1,977,443	\$ 769,847	\$ -	\$ 6,353,669
Tuition	3,000	-	-	-	3,000
Investment earnings	3,653	768	4,299	-	8,720
Food service	-	-	-	35,780	35,780
Student activity income	-	-	-	279,556	279,556
Other	78,229	-	-	-	78,229
Total local sources	3,691,261	1,978,211	774,146	315,336	6,758,954
State sources	5,691,401	-	-	28,281	5,719,682
Federal sources	986,237	-	-	631,943	1,618,180
Incoming transfers and other	874,169	-	-	-	874,169
<b>TOTAL REVENUES</b>	<b>11,243,068</b>	<b>1,978,211</b>	<b>774,146</b>	<b>975,560</b>	<b>14,970,985</b>
<b>EXPENDITURES:</b>					
Instruction	6,573,853	-	-	-	6,573,853
Supporting services	4,100,383	-	-	-	4,100,383
Community services	37,379	-	-	-	37,379
Facilities improvement	23,786	-	-	-	23,786
Transfers to other governmental units	76,560	-	-	-	76,560
Food services	-	-	-	645,514	645,514
Capital outlay	-	-	4,964,457	-	4,964,457
Student/school activities	-	-	-	201,360	201,360
Debt service:					
Principal repayment	-	1,170,000	-	-	1,170,000
Interest and fiscal charges	-	818,670	-	-	818,670
<b>TOTAL EXPENDITURES</b>	<b>10,811,961</b>	<b>1,988,670</b>	<b>4,964,457</b>	<b>846,874</b>	<b>18,611,962</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>431,107</b>	<b>(10,459)</b>	<b>(4,190,311)</b>	<b>128,686</b>	<b>(3,640,977)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of school property	1,702	-	-	-	1,702
Transfers in	35,000	-	-	-	35,000
Transfers out	-	-	-	(35,000)	(35,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>36,702</b>	<b>-</b>	<b>-</b>	<b>(35,000)</b>	<b>1,702</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>467,809</b>	<b>(10,459)</b>	<b>(4,190,311)</b>	<b>93,686</b>	<b>(3,639,275)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,887,216</b>	<b>570,273</b>	<b>5,883,664</b>	<b>486,999</b>	<b>8,828,152</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,355,025</b>	<b>\$ 559,814</b>	<b>\$ 1,693,353</b>	<b>\$ 580,685</b>	<b>\$ 5,188,877</b>

See notes to financial statements.

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**

**Total net change in fund balances--governmental funds** **\$ (3,639,275)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(888,808)
Capital outlay	4,905,180
Net book value of assets disposed	(3,600)

Donations of capital assets in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds	17,000
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Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	135,583
Accrued interest payable at the end of the year	(129,509)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Amortization of bond amounts	109,902
Principle payments	1,170,000

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences/retirement incentives at the beginning of the year	209,966
Accrued absences/retirement incentives at the end of the year	(238,757)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Other postemployment benefit related items	510,141
Pension related items	(1,327,259)

Restricted revenue reported in governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period.

State aid funding for pension	(83,929)
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<b>Change in net position of governmental activities</b>	<b>\$ 746,635</b>
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# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

#### **REPORTING ENTITY:**

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

#### **BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

While separate government-wide and fund financial statements are presented, they are interrelated. The government activities column incorporates data from governmental funds. Separate financial statements are provided for 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 category – government – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

#### **Capital Project Funds**

The *capital project sinking funds* account for the receipt of property taxes levied for the sinking fund and subsequent expenditures of those funds. For these funds, the District has complied with the applicable provisions of section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95, relating to sinking funds.

The *2015 Technology Bond Capital Project Fund Series II* includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of section 1351(a) of the Revised School Code.

The *2018 School Building and Site Bond* includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351(a)(2) of the Revised School Code.

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the 2018 School Building and Site Bond Capital Projects Fund. The project for which the 2018 Bonds were issued was considered complete on April 10, 2020 and the cumulative expenditures recognized for the construction period were \$9,214,416.

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

The *2019 School Building and Site Bond* includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351(a)(2) of the Revised School Code.

Beginning with the year of the bond issuance, the District has reported the annual construction activity in the 2015 Technology Bond Series II and 2019 School Building and Site Bond capital projects funds. The capital projects funds account for the revenue and expenditures that are related to the proceeds from the issuance of the general obligations bonds that are for the purpose of defraying the cost of erecting, furnishing and equipping additions to and partially remodeling, furnishing and refurbishing, equipping and reequipping school facilities, improving athletic facilities and playgrounds, and purchasing school buses and developing and improving sites.

The following is a summary of the revenue and expenditures since inception of the funds through the current fiscal year:

### 2015 Technology Bond Series II Capital Project Fund

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
Revenue and other financing sources (uses)	<u>\$ 924,197</u>	<u>\$ 2,102</u>	<u>\$ 326</u>	<u>\$ 926,625</u>
Expenditures and outgoing transfers	<u>\$ 382,783</u>	<u>\$ 241,829</u>	<u>\$ 126,413</u>	<u>\$ 751,025</u>

Revenue and other financing sources include net bond proceeds of \$850,000.

### 2019 School Building and Site Bond Capital Project Fund

	<u>2020</u>	<u>2021</u>	<u>Total</u>
Revenue and other financing sources (uses)	<u>\$10,137,672</u>	<u>\$ 2,640</u>	<u>\$ 10,140,312</u>
Expenditures and outgoing transfers	<u>\$ 5,901,199</u>	<u>\$ 3,687,483</u>	<u>\$ 9,588,682</u>

Revenue and other financing sources include net bond proceeds of \$8,890,000.

### OTHER NON-MAJOR 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/school activities in the special revenue 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 at 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.

## ELKTON PIGEON BAY PORT LAKER SCHOOLS

### Notes to Financial Statements

Year Ended June 30, 2021

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 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 lease are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

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

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

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

#### **BUDGETARY INFORMATION:**

Budgetary basis of accounting:

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

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

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

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

1. 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. 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.
5. The budget was amended during the year with supplemental appropriations, with the last one was approved prior to the year ended June 30, 2021. The District does not consider these amendments to be significant.

### **ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:**

#### *Cash and cash equivalents*

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

#### *Investments*

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.



# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

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

### *Inventories and prepaid items*

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

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

### *Capital assets*

Capital assets, which include property, plant & equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 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.

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:

Buildings and additions	20 - 50 years
Outdoor Improvement	15 - 25 years
Furniture and other equipment	5 - 20 years

### *Defined Benefit Plans*

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

### *Deferred outflows*

In addition to assets, the statement of net position will sometimes report a separate section of 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. Deferred outflows are recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

## ELKTON PIGEON BAY PORT LAKER SCHOOLS

### Notes to Financial Statements

Year Ended June 30, 2021

#### *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 contribution subsequent to the measurement period. The second and the third 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. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

#### *Net Position Flow Assumption*

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

#### *Fund Balance Flow Assumptions*

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

#### *Fund Balance Policies*

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

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

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

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

### **REVENUES AND EXPENDITURES/EXPENSES:**

#### *Program Revenues*

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

#### *Property Taxes*

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

For the year ended June 30, 2021, the District levied the following amounts per \$1,000 of assessed valuation:

<b><u>FUND</u></b>	<b><u>MILLS</u></b>
General Fund:	
Non-Principle Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt Service Fund:	
PRE, Non-PRE, Commercial Personal Property	2.570
Sinking Fund:	
PRE, Non-PRE, Commercial Personal Property	1.000

#### *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.

#### *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 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.

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

### **NOTE 2 – DEPOSITS AND INVESTMENTS:**

As of June 30, 2021 the District had deposits and investments subject to the following risk:

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2021, \$4,477,394 of the District's bank balance of \$4,827,584 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$4,129,564.

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

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
MILAF External Investment pool - MAX	<u>\$ 2,073,124</u>	N/A
Total fair value	<u><u>\$ 2,073,124</u></u>	

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment pool - MAX	<u>\$ 2,073,124</u>	AAAm	Standard & Poor's
Total	<u><u>\$ 2,073,124</u></u>		

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

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

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

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

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

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

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

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

The 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 funds are considered external investment pools as defined by GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund required notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	<b>Amortized Cost</b>
MILAF External Investment pool - MAX	<u>\$ 2,073,124</u>
Total fair value	<u>\$ 2,073,124</u>

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

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

	<b>Primary Government</b>
Cash and cash equivalents	\$ 2,991,859
Investments	1,525,823
Restricted cash - Capital projects	1,137,705
Restricted investments - Capital projects	<u>547,301</u>
	<u>\$ 6,202,688</u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

## Notes to Financial Statements

Year Ended June 30, 2021

**NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:**

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

Governmental Units:		
State aid	\$	1,047,809
Federal revenue		15,596
Other		<u>186,819</u>
	\$	<u><u>1,250,224</u></u>

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

**NOTE 4 – CAPITAL ASSETS:**

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

	<b><u>BALANCE</u></b> <b><u>July 1, 2020</u></b>	<b><u>ADDITIONS</u></b>	<b><u>DELETIONS &amp;</u></b> <b><u>ADJUSTMENTS</u></b>	<b><u>BALANCE</u></b> <b><u>June 30, 2021</u></b>
Assets not being depreciated:				
Construction in process	<u>13,495,496</u>	<u>4,392,194</u>	<u>(7,437,818)</u>	<u>10,449,872</u>
Subtotal	<u>13,495,496</u>	<u>4,392,194</u>	<u>(7,437,818)</u>	<u>10,449,872</u>
Capital assets being depreciated:				
Outdoor Improvements	3,192,432	1,177,030	-	4,369,462
Building	17,680,625	6,585,729	-	24,266,354
Machinery and equipment	2,802,900	205,045	(202,811)	2,805,134
Vehicles	<u>1,010,737</u>	<u>-</u>	<u>-</u>	<u>1,010,737</u>
Subtotal	<u>24,686,694</u>	<u>7,967,804</u>	<u>(202,811)</u>	<u>32,451,687</u>
Total Capital Assets	<u>38,182,190</u>	<u>12,359,998</u>	<u>(7,640,629)</u>	<u>42,901,559</u>
Accumulated depreciation:				
Outdoor Improvements	(2,734,036)	(108,051)	-	(2,842,087)
Building	(7,502,824)	(470,463)	-	(7,973,287)
Machinery and equipment	(1,478,144)	(267,057)	199,210	(1,545,991)
Vehicles	<u>(773,787)</u>	<u>(43,237)</u>	<u>-</u>	<u>(817,024)</u>
Subtotal	<u>(12,488,791)</u>	<u>(888,808)</u>	<u>199,210</u>	<u>(13,178,389)</u>
Net capital assets being depreciated	<u>12,197,903</u>	<u>7,078,996</u>	<u>(3,601)</u>	<u>19,273,298</u>
Net governmental capital assets	<u>\$ 25,693,399</u>	<u>\$11,471,190</u>	<u>\$ (7,441,419)</u>	<u>\$ 29,723,170</u>

The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Depreciation for the fiscal year ended June 30, 2021 amounted to \$888,808.

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

### **NOTE 5 – NOTE PAYABLE:**

At June 30, 2021, the District has issued a state aid anticipation note payable in the amount of \$1,500,000 which has an interest rate of .4% and matures on August 20, 2021. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the District as well as pledged state aid. In the event of the unavailability or insufficiency of state school aid for any reason, this note is payable from tax levies within the District's constitutional and statutory limitations or from unencumbered funds of the District. Upon the occurrence of any default event, the outstanding amounts, including accrued interest, become immediately due and payable. Activity for the year is as follows:

<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2021</u>
<u>\$ 1,000,000</u>	<u>\$1,500,000</u>	<u>\$1,000,000</u>	<u>\$ 1,500,000</u>

### **NOTE 6- LONG-TERM OBLIGATIONS:**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligations are direct obligations and pledge the full faith and credit of the District. The following is a summary of long-term obligations for the District for the year ended June 30, 2021:

	<u>General Obligation Bonds and Premium on Debt</u>	<u>Compensated Absences &amp; Retirement Incentives</u>	<u>Total</u>
Balance - July 1, 2020	\$ 22,007,635	\$ 209,966	\$22,217,601
Additions:	-	28,791	28,791
Deletions	<u>(1,303,239)</u>	<u></u>	<u>(1,303,239)</u>
Balance - June 30, 2021	20,704,396	238,757	20,943,153
Due within one year	<u>1,215,000</u>	<u>-</u>	<u>1,215,000</u>
Due in more than one year	<u>\$ 19,489,396</u>	<u>\$ 238,757</u>	<u>\$19,728,153</u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2021, \$2,600,000 of bonds outstanding is considered defeased.

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

Long-term obligation debt at June 30, 2021 are comprised of the following:

### General obligation bonds:

2015 general obligation refunding bonds due in annual installments of \$475,000 to \$640,000 starting May 1, 2016 through May 1, 2025 with interest at 2.00% to 4.00%.	\$2,460,000
2018 School Building and Site Bonds in annual installments of \$300,000 to \$440,000, starting May 1, 2019 through May 1, 2043 with interest between 2.00% and 4.00%.	8,030,000
2019 School Building and Site Bonds in annual installments of \$310,000 to \$410,000, starting May 1, 2020 through May 1, 2043 with interest between 2.00% and 5.00%.	8,470,000
Premium on bonds	<u>1,744,396</u>
Total General Obligation Bonds	\$20,704,396
Compensated absences	<u>238,757</u>
Total general long term obligations	<u><u>\$20,943,153</u></u>

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$0 contains 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.

The annual requirements to amortize long-term obligations outstanding as of June 30, 2021 are as follows:

Year ending June 30,	General obligation bonds		Accumulated Absences & Incentives	Total
	Principal	Interest		
2022	\$ 1,215,000	\$ 773,300	\$ -	\$ 1,988,300
2023	1,255,000	724,700		1,979,700
2024	1,260,000	681,500		1,941,500
2025	1,270,000	637,700		1,907,700
2026	705,000	593,500		1,298,500
2027-2031	3,670,000	2,480,250		6,150,250
2032-2036	3,915,000	1,631,600		5,546,600
2037-2041	4,030,000	812,800		4,842,800
2042-2043	1,640,000	98,400		1,738,400
Total	18,960,000	8,433,750		27,393,750
Premium on bond issuance	1,744,396			1,744,396
Accumulated absences & incentives			238,757	238,757
Totals	<u>\$20,704,396</u>	<u>\$ 8,433,750</u>	<u>\$ 238,757</u>	<u>\$29,376,903</u>

Interest expense (all funds) for the year ended June 30, 2021 was approximately \$817,100.



# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

### **NOTE 7- OPERATING LEASES:**

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the unpaid balances of the lease agreements are not reflected in the District's long-term obligations.

At June 30, 2021, future lease payments under such leases are as follows:

<b>Years ending June 30,</b>	<b>Amount</b>
2022	\$ 16,726
2023	16,726
2024	12,546
Total	<u>\$ 45,998</u>

### **NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES:**

Interfund payable and receivables at June 30, 2021:

<b>RECEIVABLE FUND</b>		<b>PAYABLE FUND</b>	
General Fund	\$ 20,000	Food Service	\$ 20,000
	<u>\$ 20,000</u>		<u>\$ 20,000</u>

### **NOTE 9– PENSION AND OTHER POSTEMPLOYMENT BENEFITS:**

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

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

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

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

### **Benefits Provided - Overall**

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

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

### **Benefits Provided - Pension**

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

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

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

**Pension Reform 2012** - On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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

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

## ELKTON PIGEON BAY PORT LAKER SCHOOLS

### Notes to Financial Statements

Year Ended June 30, 2021

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

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

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

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

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

#### **Pension Reform of 2017**

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

#### **Benefits Provided – Other postemployment benefit (OPEB)**

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

#### **Retiree Healthcare Reform of 2012**

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

## ELKTON PIGEON BAY PORT LAKER SCHOOLS

### Notes to Financial Statements

Year Ended June 30, 2021

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

#### **Regular Retirement (no reduction factor for age)**

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

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

#### **Member Contributions**

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

#### **Employer Contributions**

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

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

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

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

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

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

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Pension contributions were approximately \$1,705,000 with \$1,660,000 specifically for the Defined Benefit Plan and approximately \$45,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. OPEB benefits were approximately \$424,000, with \$405,000 specifically for the Defined Benefit Plan and approximately \$19,000 was contributed to fund the Defined Contribution Plan.

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

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

#### **Pension Liabilities**

The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 and rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<b><u>MEPSERS (Plan) Non-university employers:</u></b>	<b><u>September 30, 2020</u></b>	<b><u>September 30, 2019</u></b>
Total Pension Liability	\$ 85,290,583,799	\$ 83,442,507,212
Plan Fiduciary Net Position	\$ 50,939,496,006	\$ 50,325,869,388
Net Pension Liability	\$ 34,351,087,793	\$ 33,116,637,824
Proportionate Share	0.05585%	0.05638%
Net Pension Liability for the District	\$ 19,183,296	\$ 18,671,078

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

## Notes to Financial Statements

Year Ended June 30, 2021

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

For the year ended June 30, 2021, the District recognized pension expense of \$3,074,398.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Change of assumptions	\$ 2,125,694	
Net difference between projected and actual earnings on pension plan investments	80,600	\$ -
Difference between expected and actual experience	293,105	(40,944)
Changes in proportion and differences between employer contributions and proportionate share of contributions	370,998	(168,867)
Employer contributions subsequent to the measurement date	<u>1,568,450</u>	<u>-</u>
Total	<u><u>\$ 4,438,847</u></u>	<u><u>\$ (209,811)</u></u>

\$1,568,450 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year ended September 30,</u>	<u>Amount</u>
2021	\$ 1,269,474
2022	856,561
2023	421,819
2024	112,732

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

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

#### OPEB Liabilities

The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university employees</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total Other Postemployment Benefit Liability	\$ 13,206,903,534	\$ 13,925,860,688
Plan Fiduciary Net Position	\$ 7,849,636,555	\$ 6,748,112,668
Net Other Postemployment Benefit Liability	\$ 5,357,266,979	\$ 7,177,748,020
Proportionate Share	0.05493%	0.05722%
Net Other Postemployment Benefit Liability for the District	\$ 2,942,628	\$ 4,107,151

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$66,819.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Change of assumptions	\$ 970,243	
Net difference between projected and actual OPEB plan investment earnings	24,560	\$ -
Difference between expected and actual experience		(2,192,533)
Changes in proportion and differences between employer contributions and proportionate share of contributions	177,638	(186,315)
Employer contributions subsequent to the measurement date	367,346	
Total	<u>\$ 1,539,787</u>	<u>\$ (2,378,848)</u>

\$367,346 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

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

<u>Year ended September 30,</u>	<u>Amount</u>
2021	\$ (310,709)
2022	(275,598)
2023	(231,083)
2024	(204,436)
2025	(184,581)

### **Actuarial Assumptions**

Investment rate of return for Pension – 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.0% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 plan.

**Investment rate of return for OPEB** – 6.95% a year, compounded annually net of investment and administrative expenses

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

Inflation – 3.0%

Mortality assumptions –

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

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

The long-term expected rate of return on pension and other postemployment benefit plan investments – The pension rate was 6.80% (MIP, Basic, Pension Plus Plan), and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

**Healthcare cost trend rate for other postemployment benefit** – 7.0% for year one and graded to 3.5% in year fifteen.



# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

### Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

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

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death

Coverage Election at Retirement – 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

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

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
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%
<b>Total</b>	<b>100.0%</b>	

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

Rate of Return – For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount rate – A single discount rate of 6.80% was used to measure the total pension liability (6.00% for Pension Plan Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80 (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that the plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount rate – A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was project 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.

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## Notes to Financial Statements

Year Ended June 30, 2021

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 24,829,523	\$ 19,183,296	\$ 14,503,833

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 3,780,141	\$ 2,942,628	\$ 2,237,513

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

	Other Postemployment Benefit		
	Current		
	Healthcare Cost		
	1% Trend Decrease	Trend Rates	1% Trend Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 2,210,516	\$ 2,942,628	\$ 3,775,316

### Pension and OPEB Plan Fiduciary Net Position

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

### Payable to the Pension and OPEB Plan

At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

## **ELKTON PIGEON BAY PORT LAKER SCHOOLS**

### **Notes to Financial Statements**

Year Ended June 30, 2021

#### **NOTE 10 - RISK MANAGEMENT:**

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

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2021 or any of the prior three years.

#### **NOTE 11 – TRANSFERS:**

During the year the food service fund transferred \$35,000 to the general fund for reimbursement for indirect cost.

#### **NOTE 12 – COMMITMENTS:**

The District has active capital projects outstanding at June 30, 2021. Approximately \$1,693,353 is restricted and recorded as fund balance in the capital projects funds.

#### **NOTE 13 – CONTINGENT LIABILITY:**

The District is a reimbursing employer for purposes of unemployment insurance claims against the District. The District reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. The contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

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

Certain wind energy companies are contesting the assessed taxable value of the wind turbines. If the wind companies are successful in their claim, then local governments would have to return tax dollars to these companies. This dispute may impact a portion of the District's wind turbines and the debt millage collected on those properties. In the opinion of the District's management, the ultimate liability, if any, resulting from this potential claim cannot be determined at this time.

#### **NOTE 14 – SUBSEQUENT EVENTS:**

Subsequent to year-end, the District entered into an agreement to borrow \$850,000 for fiscal year 2022 to replace note payable described in Note 5.

## ELKTON PIGEON BAY PORT LAKER SCHOOLS

### Notes to Financial Statements

Year Ended June 30, 2021

#### **NOTE 15 – TAX ABATEMENTS:**

The District is required to disclose significant tax abatements as a required by GASB statement 77 (Tax abatements).

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

<u>Municipality</u>	<u>Taxes Abated</u>
Winsor Township	\$ 78,975
Oliver Township	28,829
Chandler Township	5,343
Total	<u>\$ 113,147</u>

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

There are no significant abatements made by the District.

#### **NOTE 16 – UPCOMING ACCOUNTING PRONOUNCEMENTS:**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

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

## REQUIRED SUPPLEMENTARY INFORMATION

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2021**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
<b>REVENUES</b>				
Local sources				
Property taxes	\$ 3,605,200	\$ 3,605,200	\$ 3,606,379	\$ 1,179
Tuition	3,000	3,000	3,000	-
Investment earnings	3,585	3,585	3,653	68
Other	1,290	77,420	78,229	809
Total local sources	3,613,075	3,689,205	3,691,261	2,056
State sources	4,793,335	5,644,840	5,691,401	46,561
Federal sources	639,870	986,040	986,237	197
Other transactions:				
Transfers from other governmental units	748,715	770,230	874,169	103,939
<b>TOTAL REVENUES</b>	<b>9,794,995</b>	<b>11,090,315</b>	<b>11,243,068</b>	<b>152,753</b>
<b>EXPENDITURES</b>				
Instruction:				
Basic programs	4,632,880	5,233,785	5,228,211	5,574
Added needs	1,324,910	1,348,920	1,345,642	3,278
Total instruction	5,957,790	6,582,705	6,573,853	8,852
Supporting services:				
Pupil	406,740	420,270	418,732	1,538
Instructional Staff	421,655	357,980	357,723	257
General administration	407,250	423,070	421,853	1,217
School administration	516,345	545,135	543,420	1,715
Business services	235,130	256,600	256,014	586
Operations and maintenance	839,180	912,275	907,487	4,788
Pupil transportation	550,015	511,375	507,037	4,338
Central services	620,820	366,875	366,295	580
Athletic activities		327,185	321,822	5,363
Total supporting services	3,997,135	4,120,765	4,100,383	20,382
Community services	10,240	37,455	37,379	76
Facilities improvements		23,790	23,786	4
Transfers to other governmental units	278,210	76,560	76,560	-
Debt service				
Principal payments	13,205	1,050	-	1,050
Total debt service	13,205	1,050	-	1,050
<b>TOTAL EXPENDITURES</b>	<b>10,256,580</b>	<b>10,842,325</b>	<b>10,811,961</b>	<b>30,364</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(461,585)</b>	<b>247,990</b>	<b>431,107</b>	<b>183,117</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of school property	-	1,595	1,702	107
Fund transfers in	15,000	15,000	35,000	20,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>15,000</b>	<b>16,595</b>	<b>36,702</b>	<b>20,107</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (446,585)</b>	<b>\$ 264,585</b>	<b>467,809</b>	<b>\$ 203,224</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>1,887,216</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 2,355,025</b>	

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN**  
**YEAR ENDED SEPTEMBER 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.05585%	0.05638%	0.05476%	0.05376%	0.05152%	0.04930%	0.04708%
Reporting unit's proportionate share of net pension liability	\$ 19,183,296	\$ 18,671,078	\$ 16,461,045	\$ 13,930,444	\$ 12,850,213	\$ 12,042,183	\$ 10,371,175
Reporting unit's covered-employee payroll	\$ 4,864,401	\$ 4,990,606	\$ 4,711,405	\$ 4,553,628	\$ 4,443,018	\$ 4,333,407	\$ 4,184,344
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	394.36%	374.12%	349.39%	305.92%	289.22%	277.89%	247.86%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	59.72%	60.31%	62.12%	63.96%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (DETERMINED AS OF THE**  
**YEAR ENDED JUNE 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,659,297	\$ 1,543,143	\$ 1,486,208	\$ 1,362,332	\$ 1,491,334	\$ 1,534,986	\$ 1,231,791
Contributions in relation to statutorily required contributions	<u>1,659,297</u>	<u>1,543,143</u>	<u>1,486,208</u>	<u>1,362,332</u>	<u>1,491,334</u>	<u>1,534,986</u>	<u>1,231,791</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	5,016,332	\$ 4,959,262	\$ 4,944,315	\$ 4,668,304	\$ 4,735,626	\$ 4,353,480	\$ 4,344,522
Contributions as a percentage of covered-employee payroll	33.08%	31.12%	30.06%	29.18%	31.49%	35.26%	28.35%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.



**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE**  
**SHARE OF THE NET OPEB LIABILITY**  
**MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN**  
**YEAR ENDED SEPTEMBER 30)**

	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Reporting unit's proportion of net OPEB liability (%)	0.05493%	0.05722%	0.05544%	0.05379%
Reporting unit's proportionate share of net OPEB liability	\$ 2,942,628	\$ 4,107,151	\$ 4,407,140	\$ 4,762,972
Reporting unit's covered-employee payroll	\$ 4,864,401	\$ 4,990,606	\$ 4,711,405	\$ 4,553,628
Reporting unit's proportionate share of net OPEB liability as a percentage of it covered-employee payroll	60.49%	82.30%	93.54%	104.60%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (DETERMINED AS OF**  
**THE YEAR ENDED JUNE 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 404,916	\$ 394,420	\$ 382,967	\$ 339,631
Contributions in relation to statutorily required contributions	<u>404,916</u>	<u>394,420</u>	<u>382,967</u>	<u>339,631</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reporting unit's covered-employee payroll	5,016,332	4,959,262	4,944,315	4,668,304
Contributions as a percentage of covered-employee payroll	8.07%	7.95%	7.75%	7.28%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2021**

Pension information

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

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

OPEB information

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

**Changes of assumptions** - the assumption changes for 2020 were:

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

## ADDITIONAL SUPPLEMENTARY INFORMATION

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR FUNDS**  
June 30, 2021

	<b>FOOD SERVICE</b>	<b>STUDENT/ SCHOOL ACTIVITIES FUND</b>	<b>TOTAL NONMAJOR FUNDS</b>
<b><u>ASSETS</u></b>			
Cash and equivalents	\$ 250,351	\$ 360,620	\$ 610,971
Accounts receivable	576	3,857	4,433
Intergovernmental receivable	3,747	-	3,747
Prepaid expenditures	437	-	437
<b>TOTAL ASSETS</b>	<b><u>\$ 255,111</u></b>	<b><u>\$ 364,477</u></b>	<b><u>\$ 619,588</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Accounts payable	\$ 14,547	\$ 693	\$ 15,240
Accrued salaries and related items	2,663	-	2,663
Due to other funds	20,000	-	20,000
Unearned Revenue	1,000	-	1,000
<b>TOTAL LIABILITIES</b>	<b><u>38,210</u></b>	<b><u>693</u></b>	<b><u>38,903</u></b>
<b><u>FUND BALANCES</u></b>			
Fund balances:			
Nonspendable for:			
Prepaid expenditures	437	-	437
Restricted for:			
Food service	168,589	-	168,589
Committed for:			
Student / school activities	-	363,784	363,784
Assigned for:			
Subsequent year expenditures	47,875	-	47,875
<b>TOTAL FUND BALANCES</b>	<b><u>216,901</u></b>	<b><u>363,784</u></b>	<b><u>580,685</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 255,111</u></b>	<b><u>\$ 364,477</u></b>	<b><u>\$ 619,588</u></b>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	<u>FOOD SERVICE</u>	<u>STUDENT/ SCHOOL ACTIVITIES FUND</u>	<u>TOTAL OTHER NONMAJOR FUNDS</u>
<b>REVENUES</b>			
Local sources			
Sales	\$ 35,007	\$ -	\$ 35,007
Student activity income	-	279,556	279,556
Miscellaneous	495	-	495
Investment Earnings	278	-	278
Total local source	<u>35,780</u>	<u>279,556</u>	<u>315,336</u>
State sources	28,281	-	28,281
Federal sources	<u>631,943</u>	<u>-</u>	<u>631,943</u>
<b>TOTAL REVENUES</b>	<u>696,004</u>	<u>279,556</u>	<u>975,560</u>
<b>EXPENDITURES</b>			
Food services	645,514	-	645,514
Student activity expense	<u>-</u>	<u>201,360</u>	<u>201,360</u>
<b>TOTAL EXPENDITURES</b>	645,514	201,360	846,874
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>50,490</u>	<u>78,196</u>	<u>128,686</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Fund transfers out	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(35,000)	-	(35,000)
<b>NET CHANGE IN FUND BALANCE</b>	<u>15,490</u>	<u>78,196</u>	<u>93,686</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>201,411</u>	<u>285,588</u>	<u>486,999</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u><u>\$ 216,901</u></u>	<u><u>\$ 363,784</u></u>	<u><u>\$ 580,685</u></u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
June 30, 2021

	<b>2015 REFUNDING DEBT FUND</b>	<b>2015 TECHNOLOGY DEBT FUND</b>	<b>2018 DEBT FUND</b>	<b>2019 DEBT FUND</b>	<b>TOTAL DEBT SERVICE FUNDS</b>
<b><u>ASSETS</u></b>					
Cash and equivalents	\$ 79,145	\$ 27,585	\$ 222,847	\$ 208,872	\$ 538,449
Taxes receivable	7,065	2,079	4,989	7,232	21,365
Prepaid expenditures			500		500
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 86,210</u></u></b>	<b><u><u>\$ 29,664</u></u></b>	<b><u><u>\$ 228,336</u></u></b>	<b><u><u>\$ 216,104</u></u></b>	<b><u><u>\$ 560,314</u></u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Accounts payable	\$ -	\$ -	\$ 500	\$ -	\$ 500
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<hr/> <b>-</b>	<hr/> <b>-</b>	<hr/> <b>500</b>	<hr/> <b>-</b>	<hr/> <b>500</b>
<b><u>FUND BALANCES</u></b>					
Fund balances:					
Nonspendable for prepaid expenditures			500		500
Restricted	86,210	29,664	227,336	216,104	559,314
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL FUND BALANCES</b>	<hr/> <b>86,210</b>	<hr/> <b>29,664</b>	<hr/> <b>227,836</b>	<hr/> <b>216,104</b>	<hr/> <b>559,814</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u><u>\$ 86,210</u></u></b>	<b><u><u>\$ 29,664</u></u></b>	<b><u><u>\$ 228,336</u></u></b>	<b><u><u>\$ 216,104</u></u></b>	<b><u><u>\$ 560,314</u></u></b>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	<b>2015 REFUNDING DEBT FUND</b>	<b>2015 TECHNOLOGY DEBT FUND</b>	<b>2018 DEBT FUND</b>	<b>2019 DEBT FUND</b>	<b>DEBT SERVICE FUNDS</b>
REVENUES					
Local sources					
Property taxes	\$ 653,941	\$ 192,454	\$ 461,688	\$ 669,360	\$ 1,977,443
Investment Earnings	212	92	192	272	768
TOTAL REVENUES	<u>654,153</u>	<u>192,546</u>	<u>461,880</u>	<u>669,632</u>	<u>1,978,211</u>
EXPENDITURES					
Debt service:					
Principal redemption	560,000	180,000	120,000	310,000	1,170,000
Interest and fiscal charges	121,323	21,007	309,719	366,621	818,670
TOTAL EXPENDITURES	<u>681,323</u>	<u>201,007</u>	<u>429,719</u>	<u>676,621</u>	<u>1,988,670</u>
NET CHANGE IN FUND BALANCE	(27,170)	(8,461)	32,161	(6,989)	(10,459)
FUND BALANCES AT BEGINNING OF YEAR	<u>113,380</u>	<u>38,125</u>	<u>195,675</u>	<u>223,093</u>	<u>570,273</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ 86,210</u></u>	<u><u>\$ 29,664</u></u>	<u><u>\$ 227,836</u></u>	<u><u>\$ 216,104</u></u>	<u><u>\$ 559,814</u></u>



**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2021

	<b>SINKING FUND</b>	<b>TECHNOLOGY BOND CAPITAL PROJECTS</b>	<b>2018 SINKING FUND</b>	<b>2019 CAPITAL PROJECTS</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>					
Taxes receivable	\$ -	\$ -	\$ 8,347	\$ -	\$ 8,347
Restricted cash	98,550	175,600	859,226	4,329	1,137,705
Restricted investments	-	-	-	547,301	547,301
<b><i>TOTAL ASSETS</i></b>	<b><u>\$ 98,550</u></b>	<b><u>\$ 175,600</u></b>	<b><u>\$ 867,573</u></b>	<b><u>\$ 551,630</u></b>	<b><u>\$ 1,693,353</u></b>
<b><u>FUND BALANCES</u></b>					
Restricted for- capital projects and sinking funds	\$ 98,550	\$ 175,600	\$ 867,573	\$ 551,630	\$ 1,693,353
<b><i>TOTAL FUND BALANCES</i></b>	<b><u>\$ 98,550</u></b>	<b><u>\$ 175,600</u></b>	<b><u>\$ 867,573</u></b>	<b><u>\$ 551,630</u></b>	<b><u>\$ 1,693,353</u></b>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**CAPITAL PROJECTS FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2021**

	<b>TECHNOLOGY</b>					
	<b>SINKING FUND</b>	<b>BOND CAPITAL PROJECTS</b>	<b>2018 CAPITAL PROJECTS</b>	<b>2018 SINKING FUND</b>	<b>2019 CAPITAL PROJECTS</b>	<b>TOTAL</b>
REVENUES:						
Local Sources:						
Property taxes	\$ -	\$ -	\$ -	\$ 769,847	\$ -	\$ 769,847
Earnings on investments	154	326	-	1,179	2,640	4,299
TOTAL REVENUES	154	326	-	771,026	2,640	774,146
EXPENDITURES:						
Capital Outlay	86,630	126,413	2	1,063,929	3,687,483	4,964,457
TOTAL EXPENDITURES	86,630	126,413	2	1,063,929	3,687,483	4,964,457
CHANGES IN FUND BALANCES	(86,476)	(126,087)	(2)	(292,903)	(3,684,843)	(4,190,311)
FUND BALANCES:						
Beginning of Year	185,026	301,687	2	1,160,476	4,236,473	5,883,664
End of Year	\$ 98,550	\$ 175,600	\$ -	\$ 867,573	\$ 551,630	\$ 1,693,353

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**2015 REFUNDING BONDS**  
June 30, 2021

Date of Issue: February 24, 2015

Purpose of Issue: A portion of the 2005 Refunding Bonds were refunded.

<b>PRINCIPAL DUE May</b>	<b>RATE</b>	<b>INTEREST DUE</b>		<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR June 30,</b>	<b>AMOUNT</b>
		<b>May</b>	<b>November</b>		
\$ 585,000	4.000	\$ 49,200	\$ 49,200	2022	\$ 683,400
605,000	4.000	37,500	37,500	2023	680,000
630,000	4.000	25,400	25,400	2024	680,800
640,000	4.000	12,800	12,800	2025	665,600
<u>\$ 2,460,000</u>		<u>\$ 124,900</u>	<u>\$ 124,900</u>		<u>\$ 2,709,800</u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**2018 SCHOOL BUILDING AND SITE BONDS**  
June 30, 2021

Date of Issue: August 2, 2018

Original Amount of Issue: \$9,440,000

Purpose of Issue: School Building and Site Bonds

PRINCIPAL DUE			DEBT SERVICE REQUIREMENT		
May	RATE		INTEREST DUE		FOR FISCAL YEAR
			May	November	June 30, AMOUNT
\$	300,000	4.000	\$ 160,600	\$ 160,600	2022 \$ 621,200
	300,000	4.000	154,600	154,600	2023 609,200
	300,000	4.000	148,600	148,600	2024 597,200
	300,000	4.000	142,600	142,600	2025 585,200
	330,000	4.000	136,600	136,600	2026 603,200
	340,000	4.000	130,000	130,000	2027 600,000
	340,000	4.000	123,200	123,200	2028 586,400
	345,000	4.000	116,400	116,400	2029 577,800
	355,000	4.000	109,500	109,500	2030 574,000
	355,000	4.000	102,400	102,400	2031 559,800
	360,000	4.000	95,300	95,300	2032 550,600
	375,000	4.000	88,100	88,100	2033 551,200
	390,000	4.000	80,600	80,600	2034 551,200
	390,000	4.000	72,800	72,800	2035 535,600
	400,000	4.000	65,000	65,000	2036 530,000
	400,000	4.000	57,000	57,000	2037 514,000
	400,000	4.000	49,000	49,000	2038 498,000
	410,000	4.000	41,000	41,000	2039 492,000
	410,000	4.000	32,800	32,800	2040 475,600
	410,000	4.000	24,600	24,600	2041 459,200
	410,000	4.000	16,400	16,400	2042 442,800
	410,000	4.000	8,200	8,200	2043 426,400
\$	8,030,000		\$ 1,955,300	\$ 1,955,300	\$ 11,940,600

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**2019 SCHOOL BUILDING AND SITE BONDS**  
June 30, 2021

Date of Issue: August 7, 2019

Original Amount of Issue: \$8,890,000

Purpose of Issue: School Building and Site Bonds

PRINCIPAL DUE May		RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
			May	November	June 30,	AMOUNT
\$	330,000	4.000	\$ 176,850	\$ 176,850	2022	\$ 683,700
	350,000	2.000	170,250	170,250	2023	690,500
	330,000	2.000	166,750	166,750	2024	663,500
	330,000	2.000	163,450	163,450	2025	656,900
	375,000	5.000	160,150	160,150	2026	695,300
	385,000	5.000	150,775	150,775	2027	686,550
	365,000	5.000	141,150	141,150	2028	647,300
	390,000	5.000	132,025	132,025	2029	654,050
	395,000	5.000	122,275	122,275	2030	639,550
	400,000	5.000	112,400	112,400	2031	624,800
	400,000	5.000	102,400	102,400	2032	604,800
	400,000	5.000	92,400	92,400	2033	584,800
	400,000	5.000	82,400	82,400	2034	564,800
	400,000	4.000	72,400	72,400	2035	544,800
	400,000	4.000	64,400	64,400	2036	528,800
	400,000	4.000	56,400	56,400	2037	512,800
	400,000	4.000	48,400	48,400	2038	496,800
	400,000	4.000	40,400	40,400	2039	480,800
	400,000	4.000	32,400	32,400	2040	464,800
	400,000	4.000	24,400	24,400	2041	448,800
	410,000	4.000	16,400	16,400	2042	442,800
	410,000	4.000	8,200	8,200	2043	426,400
\$	8,470,000		\$ 2,136,675	\$ 2,136,675		\$ 12,743,350

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>GRANT/PROJECT NUMBER</b>	<b>AWARD AMOUNT</b>	<b>ACCRUED (UNEARNED) REVENUE 6/30/2020</b>	<b>ADJUSTMENTS</b>	<b>(MEMO ONLY) PRIOR YEAR EXPENDITURES</b>	<b>CURRENT YEAR RECEIPTS (CASH BASIS)</b>	<b>CURRENT YEAR EXPENDITURES</b>	<b>ACCRUED (UNEARNED) REVENUE 6/30/2021</b>
U.S. DEPARTMENT OF AGRICULTURE:									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
Non-cash assistance (donated foods):									
National School Lunch Program - non bonus	10.555	N/A	\$ 21,380	\$ -	\$ -	\$ -	\$ 21,380	\$ 21,380	-
National School Lunch Program - bonus		N/A	499	-	-	-	499	499	-
Total CFDA #10.5555			21,879	-	-	-	21,879	21,879	-
Cash assistance:									
COVID-19 Summer Food Service Program for Children	10.559	210904	463,801	-	-	-	463,801	463,801	-
COVID-19 Summer School Food Service Program for Children		200901	-	-	(5,699)	-	(5,699)	-	-
COVID-19 Summer School Food Service Program for Children		200900	151,962	-	-	-	151,962	151,962	-
Total CFDA #10.559			615,763	-	(5,699)	-	610,064	615,763	-
Total cash assistance			615,763	-	(5,699)	-	610,064	615,763	-
Total Child Nutrition Cluster			637,642	-	(5,699)	-	631,943	637,642	-
Distance Learning and Telemedicine Loans and Grants	10.855	DLT 2019-063	125,452	-	-	-	125,452	125,452	-
Total CFDA #10.855			125,452	-	-	-	125,452	125,452	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			763,094	-	(5,699)	-	757,395	763,094	-
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:									
Passed through ISD									
Medicaid Outreach	93.778	N/A	949	-	-	-	949	949	-
Medicaid Outreach		N/A	2,026	532	-	2,026	532	-	-
Total CFDA #93.778			2,975	532	-	2,026	1,481	949	-
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			2,975	532	-	2,026	1,481	949	-
U.S. DEPARTMENT OF TREASURY									
Passed through Michigan Department of Education									
COVID-19 Coronavirus Relief Funds	21.019	11(p)	334,296	-	-	-	334,296	334,296	-
COVID-19 Coronavirus Relief Funds		103(2)	11,767	-	-	-	11,767	11,767	-
Total Passed through Michigan Department of Education			346,063	-	-	-	346,063	346,063	-
Passed through MAISA / Copper County ISD									
COVID-19 MiConnect Connectivity Funding	21.019	N/A	29,231	-	-	-	29,231	29,231	-
Total CFDA #21.019			375,294	-	-	-	375,294	375,294	-
TOTAL U.S. DEPARTMENT OF TREASURY			375,294	-	-	-	375,294	375,294	-

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>GRANT/PROJECT NUMBER</b>	<b>AWARD AMOUNT</b>	<b>ACCRUED (UNEARNED) REVENUE 6/30/2020</b>	<b>ADJUSTMENTS</b>	<b>(MEMO ONLY) PRIOR YEAR EXPENDITURES</b>	<b>CURRENT YEAR RECEIPTS (CASH BASIS)</b>	<b>CURRENT YEAR EXPENDITURES</b>	<b>ACCRUED (UNEARNED) REVENUE 6/30/2021</b>
U.S. DEPARTMENT OF EDUCATION:									
Passed through Michigan Department of Education:									
Title I Grants to Local Educational Agencies	84.010	211530 2021	163,124	-	-	-	157,693	159,727	2,034
Title I Grants to Local Educational Agencies		201530 1920	173,874	7,013	-	168,179	7,013	-	-
Total CFDA #84.010			336,998	7,013	-	168,179	164,706	159,727	2,034
Supporting Effective Instruction State Grants, Title II, Part A	84.367	210520 2021	37,085	-	-	-	36,519	36,733	214
		200520 1920	36,663	3,242	-	32,044	3,242	-	-
Total CFDA #84.367			73,748	3,242	-	32,044	39,761	36,733	214
Student Support and Academic Enrichment, Title IV, Part A	84.424	210750 2021	11,728	-	-	-	9,452	11,587	2,135
		200750 1920	11,702	1,862	-	11,501	1,862	-	-
Total CFDA #84.424			23,430	1,862	-	11,501	11,314	11,587	2,135
Educational Stabilization Fund									
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201200 2021	55,262	-	-	-	46,542	50,929	4,387
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	203710 1920	129,970	-	-	-	99,491	106,317	6,826
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213712 2021	219,620	-	-	-	119,249	119,249	-
Total CFDA #84.425 Education Stabilization Fund			404,852	-	-	-	265,282	276,495	11,213
Total Passed Through Michigan Department of Education			839,028	12,117	-	211,724	481,063	484,542	15,596
TOTAL U.S. DEPARTMENT OF EDUCATION:			839,028	12,117	0	211,724	481,063	484,542	15,596
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,980,391	\$ 12,649	(5,699)	\$ 213,750	\$ 1,615,233	\$ 1,623,879	\$ 15,596

The accompanying notes are an integral part of this schedule.

**Elkton Pigeon Bay Port Laker Schools**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of Elkton Pigeon Bay Port Laker Schools' under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with 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). Because the schedule presents only a selected portion of the operations of Elkton Pigeon Bay Port Laker Schools, it is not intended to and does not present the financial position or changes in net position of Elkton Pigeon Bay Port Laker Schools.

The District qualifies for low-risk auditee status. Management has utilized the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.

**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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Elkton Pigeon Bay Port Laker Schools' has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**3. Reconciliation with Audited Financial Statements**

Federal expenditures are reported as revenue in the following funds in the basic financial statements:

General Fund	\$986,237
Other nonmajor governmental fund	<u>631,943</u>
Reconciled financial statement balance	<u>\$1,618,180</u>
Plus: Prior year adjustments per Schedule of Expenditures of Federal Awards	5,699
Total per Schedule of Expenditures of Federal Awards	<u>\$1,623,879</u>





# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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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  
Elkton Pigeon Bay Port Laker Schools  
Pigeon, MI 48755

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elkton Pigeon Bay Port Laker Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Elkton Pigeon Bay Port Laker Schools' basic financial statements and have issued our report thereon dated October 29, 2021.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Elkton Pigeon Bay Port Laker Schools' financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

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### **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.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CARO, MICHIGAN**

October 29, 2021



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

To the Board of Education  
Elkton Pigeon Bay Port Laker Schools  
Pigeon, MI 48755

### Report on Compliance for Each Major Federal Program

We have audited Elkton Pigeon Bay Port Laker Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Elkton Pigeon Bay Port Laker Schools' major federal programs for the year ended June 30, 2021. Elkton Pigeon Bay Port Laker Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Elkton Pigeon Bay Port Laker Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations 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 Elkton Pigeon Bay Port Laker Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Elkton Pigeon Bay Port Laker Schools' compliance.

### *Opinion on Each Major Federal Program*

In our opinion, Elkton Pigeon Bay Port Laker Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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## Report on Internal Control Over Compliance

Management of Elkton Pigeon Bay Port Laker Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Elkton Pigeon Bay Port Laker Schools' internal control over compliance with 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 our 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 Elkton Pigeon Bay Port Laker Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CARO, MICHIGAN**

October 29, 2021

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

**Section I – Summary of Auditor’s Results**

***Financial Statements***

Type of auditor’s report issued based on financial statements prepared in accordance with generally accepted accounting principles:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not Considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Type of auditor’s report issued on compliance for major programs: *Unmodified*

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

Identification of major programs:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

10.555 & 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?   X   Yes    \_\_\_\_\_ No

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2020**

There were no audit findings in either of the prior two years.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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To the Members of the Board  
***Elkton Pigeon Bay Port Laker Schools***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Elkton Pigeon Bay Port Laker Schools*** for the year ended **June 30, 2021**. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

The significant accounting policies used by ***Elkton Pigeon Bay Port Laker Schools*** are described in Note 1 to the financial statements. The application of existing policies was not changed during 2021. We noted no transactions entered into by ***Elkton Pigeon Bay Port Laker Schools*** during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

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

We evaluated the key factors and assumptions used to develop the estimated life span of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

The disclosures in the financial statements 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 29, 2021.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' 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 **Elkton Pigeon Bay Port Laker Schools'** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistent with management's responses to our inquires, the basic financial statements, other knowledge we obtained during the 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 Additional Supplementary Information, 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 this information to determine that the information complies with accounting principles general 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 additional supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Members of the Board and management of **Elkton Pigeon Bay Port Laker Schools** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants  
Caro, Michigan

October 29, 2021