

**BRITTON DEERFIELD SCHOOLS
BRITTON, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(With required supplementary and
other supplemental information)**

YEAR ENDED JUNE 30, 2021

**Britton Deerfield Schools
Financial Report
For the Fiscal Year Ended
June 30, 2021**

Table of Contents

Independent Auditor’s Report	1 - 3
Management’s Discussion and Analysis	4 – 12
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	18
Notes to Financial Statements	19 – 54
Required Supplementary Information:	55
Budgetary Comparison Schedule – General Fund	56
Budgetary Comparison Schedule – 2017 Sinking Fund	57
Schedule of Britton Deerfield’s Pension Contribution to Michigan Public Schools Employees Retirement Plan	58

**Britton Deerfield Schools
Financial Report
For the Fiscal Year Ended
June 30, 2021**

Table of Contents

Schedule Britton Deerfield's Proportionate Share of the Net Pension Liability - Michigan Public Schools Employees Retirement Plan	59
Schedule of Britton Deerfield's OPEB Contribution to Michigan Public Schools Employees Retirement Plan	60
Schedule Britton Deerfield's Proportionate Share of the Net OPEB Liability - Michigan Public Schools Employees Retirement Plan	61
Notes to Required Supplementary Information	62 - 63
Other Supplemental Information:	64
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 <i>Government Auditing Standards</i>	65- 66
Schedule of Findings and Questioned Costs	67-68
Nonmajor Governmental Fund Types	
Combining Balance Sheet	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	70

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Britton Deerfield Schools
Britton, 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 Britton Deerfield Schools (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Schools 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Britton Deerfield Schools basic financial statements. The other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2021, on our consideration of Britton Deerfield Schools internal control over financial reporting and 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 Britton Deerfield 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 Britton Deerfield Schools internal control over financial reporting and compliance.

Hodges Accounting & Advisory Services

HODGES ACCOUNTING & ADVISORY SERVICES

Taylor, Michigan
October 18, 2021

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

On July 1, 2011 Britton-Macon and Deerfield Public Schools consolidated and became the Britton Deerfield Schools. Our discussion and analysis of Britton Deerfield School District's (the School District) financial performance provides an overview of the School District's financial activities in the fiscal year ended June 30, 2021. The Britton Deerfield School District implemented GASB requirements in the June 30, 2021 audit as required by the Governmental Accounting Standards Board (GASB). Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis is provided at the beginning of the audit and organized so that the reader can understand the current position of the Britton Deerfield School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues by program for the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund.

USING THIS ANNUAL REPORT

The School District's Annual Report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The *District Wide Financial Statements*, which includes the **Statement of Net Position** and the **Statement of Activities** provide information about the district as a whole and present a longer-term view of the School District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The *Fund Financial Statements* provide detailed information about the School District's most significant funds, not the School District as a whole. This report is composed of the following elements:

**Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)**

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Fund

Schedule of Pension and OPEB Contributions

Schedule of the School District's Proportionate Share of the Net Pension and OPEB Liabilities

Other Supplemental Information

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Reporting the School District as a whole

These two statements report the School District's Net Position—the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as reported in the **Statement of Net Position** – as one way to measure the School District's financial health or financial position. The **Statement of Net Position**, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations, regardless if they are currently available or not. In comparison to “other assets”, capital assets are those assets that are tangible, valued over a specified amount, and usually have a long life. They are depreciated over a useful life. More detail on capital assets and their recorded useful lives is found in the footnote section of the audit. Long-term obligations (liabilities) are those that are longer than one year. Some liabilities are classified as “short-term” for the portion due in a year, and “long-term” for the portion due in the future years (such as leases payable, compensated absences, and debt obligations). “Other liabilities” are considered to be obligations due within a year. Over time, increases or decreases in the School District's Net Position – as reported in the **Statement of Activities** – is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results.

However, the School District's goal is to provide services to our students, not to generate a profit as commercial entities do. There are other factors to consider such as quality of education and school safety to assess the overall health of the School District.

The **Statement of Net Position** and **Statement of Activities** report the governmental activities and business-type activities. These statements for the Britton Deerfield School District will include only governmental activities, which encompass all of the School District's services including instruction, supporting services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's most significant funds

The School District's fund financial statements provide detailed information about the School District's most significant funds, not the School District as a whole. The fund statements are similar to financial presentations in the past, but the new focus is on the School District's major funds rather than fund types. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Some funds are required by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (such as **Food Service**) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as **Debt and Capital Projects**). The School District's major funds are the **General Fund** and the **2017 Sinking Fund**.

BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, and Capital Projects Fund. The General Fund is used primarily to account for the general education requirements of the School District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Debt Fund is used to record the funding and payment of principal and interest on Bonded Debt. The Special Revenue Fund is used to record the funding and expenditures of monies specified for a specific purpose (Food Service). Capital Project Fund is used to record the funding and expenditures related to capital outlay.

The School District as a Whole

The School District's net position was \$ \$(4,775,090) at the end of June 30, 2021 and \$(6,400,226) as of June 30, 2020, representing a net decrease in the School District's deficit position of \$1,625,135. Of the total amount, \$(10,777,002) was an unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those funds for day-to-day operations. Our analysis below focuses on the **Net Position** (Table 1) and **Change in Net Position** (Table 2) of the School District's governmental activities.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Net Position (Table 1)		
	<u>2021</u>	<u>2020</u>
Assets:		
Current assets	\$ 3,125,516	\$ 2,730,902
Noncurrent assets	<u>6,939,408</u>	6,995,499
Total assets	10,064,924	9,726,401
Deferred Outflows of Resources		
Deferred pension amounts	1,867,603	2,447,950
Deferred OPEB amounts	<u>683,743</u>	552,221
Total deferred outflows of resources	<u>2,551,346</u>	3,000,171
Total assets and deferred outflows of resources	12,616,270	12,726,572
Liabilities:		
Current liabilities	1,788,563	1,983,799
Noncurrent liabilities	<u>12,142,414</u>	12,896,169
Total liabilities	<u>13,930,977</u>	14,879,968
Deferred Inflows of Resources		
Deferred pension amounts	1,834,771	2,777,103
Deferred OPEB amounts	<u>1,625,612</u>	1,469,727
Total deferred inflows of resources	<u>3,460,383</u>	4,246,830
Total liabilities and deferred inflows of resources	<u>17,391,360</u>	19,126,798
Net position:		
Net investment in capital assets	5,007,834	4,698,885
Restricted for School Lunch program	27,127	22,969
Restricted for Student Services	147,976	-
Restricted for Debt Service	61,275	53,962
Restricted for Capital Project	757,700	490,319
Unrestricted	<u>(10,777,002)</u>	(11,666,361)
Total net position (deficit)	<u>\$ (4,775,090)</u>	<u>\$ (6,400,226)</u>

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The Statement of Activities presented later in the government-wide financial statement, provides greater detail on the School District's annual activity. The Statement of Activities (Table 2) shown below details the cost of the School District's governmental activities and how those activities were financed.

Table 2		
Changes in Britton Deerfield's Net Position		
	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues:		
Operating and grants contribution	\$ 1,906,754	\$ 1,552,278
Charges for services	146,897	120,724
General revenues:		
Property taxes	1,870,150	1,818,679
State aid - unrestricted	2,782,557	2,787,795
Investment income	7,471	18,673
Other	-	91,728
Total revenues	<u>6,713,829</u>	<u>6,389,877</u>
Expenses:		
Instruction	2,533,203	2,725,091
Support services	1,672,571	1,810,814
Community services	-	568
Food services	232,739	250,478
Athletics	180,794	193,808
Interest expense	41,516	47,433
Other	-	121,436
Unallocated depreciation	427,870	356,602
Total expenses	<u>5,088,693</u>	<u>5,506,230</u>
Change in net position	1,625,136	883,647
Net position (deficit), beginning of year	(6,400,226)	(7,456,691)
Restatement for implementation of GASB 84	-	172,818
Net position (deficit), end of year	<u>\$ (4,775,090)</u>	<u>\$ (6,400,226)</u>

Financial Analysis of the School District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

GENERAL FUND

Factors affecting Revenue

State Aid funding -The State of Michigan provides a \$8,111 per pupil foundation allowance that provides a substantial portion of our district's revenue, 68 percent. In addition, we also receive various grants from the state. This means that the financial stability of the School District rests primarily with the economic health of the State of Michigan. State aid payments are made with the first payment of the school year beginning in October, and the last payment being made in August. Therefore, at the end of the School District's fiscal year end, there is adjustment made that includes 2 months of state aid payments into revenue that has not yet been made.

Factors affecting Expenses

- *Salaries and Benefits* - A significant portion of the School District's expenses are related to compensation, 71% in 2020-2021.
- *Instructional purchases* - Another part of each year's budgetary expenditure includes textbooks and supplemental learning materials, supplies, and purchased services.
- *Operation and Maintenance* - Each year's budgetary expenditures also include the general operation and maintenance of our school buildings.

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. As a matter of practice, the School District amends its budget during the school year. In fact, all Michigan school districts must complete a second full budget after the state's official student membership count date (the first Wednesday in October), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

Original Budget versus Final Budget

- *Revenues*-Original estimated budgets for revenues were \$4,856,351 versus the final budget of \$5,572,925.
- *Expenditures* – The original budget for expenditures was \$5,096,125 versus the final budget of \$5,368,539.

Final Budget versus Actual Figures

- The majority (about 88%) of *Local Revenues* are property taxes received from eight townships including Deerfield, Blissfield, Ridgeway, Summerfield, Macon, Raisin, Dundee and Milan.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- *State Revenues* were budgeted at \$3,743,247 versus actual of \$3,676,909. This was a decrease of \$66,338.
- *Federal Revenues* were budgeted at \$181,451 versus actual of \$247,978. This was an increase of \$66,527.
- *Overall revenues* were over budget by \$92,295 from the final budget amounts. This is an increase of 1.66% compared to the total revenue budget of \$5,572,925.
- *Expenses*- Final estimated budgets for expenses were \$5,368,539 versus an actual final amount of \$5,313,540. The overall variation from final budget to actual was \$54,999 favorable variance.

SPECIAL REVENUE FUND

- *School Lunch Fund*-The School Lunch Fund receives its revenues from the sale of goods, State reimbursement and federal grants.

CAPITAL PROJECT FUND

Consist of 2007 Sinking Fund and Building Capital Project. These funds are used to do improvements to the District. These funds are restricted for improvements to the School District. The 2007 Sinking Fund is under the old Sinking Fund millage. At the end of the fiscal year 2020-21 there was a fund balance of \$15,390. In 2017, the School District was authorized to levy not to exceed 2 mills for a period of 5 years from 2017 to 2021 to create a sinking fund for the purchase of real estate, for the construction or repair of school buildings, for security improvements, for the acquisition or upgrading of technology. The 2017 Sinking Fund is under the new Sinking Fund millage and was reported as a major fund for the year ended June 30, 2021. At the end of the fiscal year 2020-2021, the 2017 Sinking Fund had a fund balance of \$732,578.

Old Sinking Fund Millage – Revenues are generated by taxes going toward building improvements.

New Sinking Fund Millage – Revenues are generated by taxes going toward building improvements, security improvements and acquisitions and upgrading technologies.

DEBT SERVICE FUND

This fund is directly funded through taxes. For fiscal year 2020-21 the collection of property taxes for the retirement of principal and interest relating to the 2016 refunding bonds for Britton Schools was \$367,866. Principal and interest requirements for the 2020-21 retirement was \$367,600.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-At June 30, 2021, the School District had \$6,939,409 invested in capital assets, net of accumulated depreciation. The School District had bonded debt outstanding of \$1,735,000. As these items also relate to capital assets, the amount *Net investment in capital assets* is \$5,204,409. Assets, net of accumulated depreciation will probably continue to decrease because the School District at this time has no intention of purchasing many capital assets. Those already on the books will continue to depreciate.

The District's capital assets are as follows:

Table 3 Britton Deerfield's Capital Assets				
			2021	2020
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	71,075	-	71,075	71,075
Land Improvements	1,121,068	831,058	290,010	314,902
Building and Improvements	11,250,992	5,079,092	6,171,900	6,110,635
Machinery, Equipment & Furniture	2,742,124	2,557,123	185,001	123,576
Transportation Equipment	795,160	573,738	221,422	263,311
Construction in Process	-	-	-	112,000
Total	15,980,419	9,041,011	6,939,408	6,995,499

Long-term debt Activity

At year-end, the School District had outstanding long-term debt obligations in the amount of \$1,994,907 (more detailed information about the School District's long-term liabilities is presented in Note 6 of the financial statements.)

Table 4 Britton Deerfield School's Outstanding Long-Term Debt		
	2021	2020
2016 Refunding Bond	\$ 1,735,000	\$ 2,060,000
Bus loan payable	196,574	236,614
Compensated absences	63,333	62,162
Total	\$ 1,994,907	\$ 2,358,776

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Economic Factors and Next Year's Budget

The following factors will affect the School District in the future and were considered in preparing the School District's budget for the 2021 fiscal year budget.

One of the most important factors affecting the budget is our student count. The other is the state foundation revenue determined by multiplying the blended student count by the foundation allowance per pupil. The 2020-2021 budget was adopted in June 2020, based on an estimated number of students who will be enrolled in September 2020. In an effort to sustain student enrollment and maximize funding from the state, the School District continues to provide opportunities to students through Schools of Choice.

Prudent fiscal responsibility and cost containment remain critical to the School District's ability to effectively operate in a volatile and difficult economic climate. Over the past years, the School District has made a series of budget adjustments to protect its financial future. The School District continues to explore avenues that allow it to reduce costs by restructuring its delivery of services.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, please contact:

Business Office Britton Deerfield Schools, 201 College Ave. Britton, MI 49229.

Britton Deerfield Schools
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Current Assets:	
Cash and equivalents	\$ 1,363,030
Investments	217,888
Receivables:	
Accounts receivable	577
Due from other governmental units	715,330
Prepaid expenditures	8,724
Inventory	991
Restricted assets	818,975
Total Current Assets	3,125,516
Noncurrent Assets:	
Capital assets	15,980,419
Less accumulated depreciation	(9,041,011)
Total Noncurrent Assets	6,939,408
Total Assets	10,064,924
Deferred outflows of resources	
Deferred pension amounts	1,867,603
Deferred OPEB amounts	683,743
Total Deferred Outflows of Resources	2,551,346
Total Assets and Deferred Outflows of Resources	12,616,270
Liabilities	
Current Liabilities:	
Accounts payable	38,833
Accrued interest	5,783
Accrued salary	426,331
Unearned revenue	7,556
State Aid Note Payable	928,950
Current portion of compensated absences	6,069
Current portion of long term obligations	375,040
Total Current Liabilities	1,788,563
Noncurrent Liabilities:	
Noncurrent portion of long term obligations	1,556,534
Noncurrent portion of compensated absences	57,265
Net Pension Liability	9,099,696
Net OPEB Liability	1,428,919
Total Noncurrent Liabilities	12,142,414
Total Liabilities	13,930,976
Deferred inflows of resources	
Revenue in support of pension contributions made subsequent to the measurement date	345,921
Deferred pension amounts	1,488,851
Deferred OPEB amounts	1,625,612
Total Deferred Inflows of Resources	3,460,384
Total liabilities and deferred inflows of resources	17,391,360
Net Position (Deficit):	
Net investment in capital assets	5,007,834
Restricted for school lunch program	27,127
Restricted for student services	147,976
Restricted for debt service	61,275
Restricted for capital project fund	757,700
Unrestricted (Deficit)	(10,777,002)
Total Net Position (Deficit)	\$ (4,775,090)

The notes to the financial statements are an integral part of this statement.

Britton Deerfield Schools
Statement of Activities
June 30, 2021

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Net (expense) Revenue and Changes in Net Position</u>
Governmental activities:				
Instruction	\$ 2,533,202	\$ -	\$ 906,651	\$ (1,626,551)
Support services	1,672,571	90,235	766,892	(815,445)
Food services	232,739	10,100	233,211	10,573
Athletics	180,794	46,562	-	(134,232)
Interest expense	41,516	-	-	(41,516)
Unallocated depreciation	427,870	-	-	(427,870)
Total governmental activities	<u>\$ 5,088,693</u>	<u>\$ 146,897</u>	<u>\$ 1,906,754</u>	<u>\$ (3,035,041)</u>
General revenues:				
Property taxes, levied for general purposes				1,070,796
Property taxes, levied for debt service				367,866
Property taxes, levied for capital project fund				431,487
Investment earnings				7,471
State of Michigan school aid unrestricted				2,782,557
Total general revenues				<u>4,660,177</u>
Change in net position (Decrease)				1,625,135
Net position, beginning of year (Deficit)				<u>(6,400,226)</u>
Net position, end of year (Deficit)				<u>\$ (4,775,090)</u>

The notes to the financial statements are an integral part of this statement.

Britton Deerfield Schools
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	2017 Sinking Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Assets				
Assets:				
Cash and cash equivalents	\$ 1,343,499	\$ -	\$ 19,532	\$ 1,363,030
Investments	217,888	-	-	217,888
Receivables				
Accounts	-	-	577	577
Other governmental units	715,330	-	-	715,330
Due from other funds	-	-	1,884	1,884
Inventory	-	-	991	991
Prepaid expenditures	8,724	-	-	8,724
Restricted assets	-	732,578	86,397	818,975
Total Assets	<u>\$ 2,285,441</u>	<u>\$ 732,578</u>	<u>\$ 109,380</u>	<u>\$ 3,127,400</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 38,833	\$ -	\$ -	\$ 38,833
Accrued salary	426,331	-	-	426,331
Due to other funds	1,884	-	-	1,884
State Aid Note Payable	928,950	-	-	928,950
Unearned revenue	2,975	-	4,581	7,556
Total Liabilities	<u>1,398,973</u>	<u>-</u>	<u>4,581</u>	<u>1,403,554</u>
Deferred Inflows of Resources:				
Unavailable revenue	36,544	-	-	36,544
Total Deferred Inflows of Resources	<u>36,544</u>	<u>-</u>	<u>-</u>	<u>36,544</u>
Fund Balances:				
Nonspendable prepaid expenditures	8,724	-	-	8,724
Nonspendable inventory	-	-	991	991
Restricted for:				
School lunch program	-	-	17,411	17,411
Student benefit	147,976	-	-	147,976
Debt service	-	-	61,275	61,275
Capital outlay	-	732,578	25,122	757,700
Unassigned reported in general fund	693,224	-	-	693,224
Total Fund Balances	<u>849,924</u>	<u>732,578</u>	<u>104,800</u>	<u>1,687,302</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,285,441</u>	<u>\$ 732,578</u>	<u>\$ 109,380</u>	<u>\$ 3,127,400</u>

The notes to the financial statements are an integral part of this statement.

Britton Deerfield Schools
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2021

Total governmental fund balances		\$ 1,687,302
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of capital assets is:	\$ 15,980,419	
Accumulated depreciation is:	<u>(9,041,011)</u>	6,939,408
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds and bus loan payable		(1,931,574)
Unamortized bond premium		-
Compensated absences		(63,334)
Interest payable on long term debt		(5,783)
Net pension liability		(9,099,696)
Net OPEB liability		(1,428,919)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflow of resources related to pension (see Note 9)		1,867,603
Deferred inflow of resources related to pension (see Note 9)		(1,488,851)
Deferred outflow of resources related to OPEB (see Note 10)		683,743
Deferred inflow of resources related to OPEB (see Note 10)		(1,625,612)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds		
		(345,921)
Receivables collected after 60 days are considered unavailable in the governmental funds.		
		36,544
Net position of governmental activities (deficit)		<u><u>\$ (4,775,090)</u></u>

The notes to the financial statements are an integral part of this statement.

Britton Deerfield Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
June 30, 2021

	General Fund	2017 Sinking Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Revenues:				
Local sources				
Property taxes	\$ 1,070,796	\$ 431,487	\$ 367,866	\$ 1,870,149
Investment earnings	6,214	1,077	180	7,471
Food service	-	-	10,100	10,100
Athletics	46,562	-	-	46,562
Charges for services	72,334	-	-	72,334
Other	17,901	-	-	17,901
Total local sources	<u>1,213,807</u>	<u>432,564</u>	<u>378,146</u>	<u>2,024,517</u>
Intermediate sources	526,526	-	-	526,526
State sources	3,676,909	-	12,299	3,689,208
Federal sources	247,978	-	233,211	481,189
	<u>5,665,220</u>	<u>432,564</u>	<u>623,657</u>	<u>6,721,441</u>
Expenditures:				
Current:				
Instruction	2,908,517	-	-	2,908,517
Support	2,152,341	-	-	2,152,341
Food service activities	-	-	260,178	260,178
Athletic activities	212,643	-	-	212,643
Capital Outlay	-	174,914	-	174,914
Debt service:				
Principal repayment	40,040	-	325,000	365,040
Interest & fiscal charges	-	-	42,600	42,600
Total expenditures	<u>5,313,540</u>	<u>174,914</u>	<u>627,778</u>	<u>6,116,232</u>
Excess (deficiency) of revenues over expenditures:	<u>351,680</u>	<u>257,650</u>	<u>(4,121)</u>	<u>605,208</u>
Other financing sources (uses):				
Indirect cost transfer	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	351,680	257,650	(4,121)	605,208
Fund balances:				
Beginning of year	498,244	474,929	108,921	1,082,093
End of year	<u>\$ 849,924</u>	<u>\$ 732,578</u>	<u>\$ 104,800</u>	<u>\$ 1,687,302</u>

The notes to financial statements are an integral part of this statement.

Britton Deerfield Schools
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Fund
To the Statement of Activities
June 30, 2021

Net change in fund balance total governmental fund increase	\$ 605,208
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Capital outlay	371,779
Depreciation expense	(427,870)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	
Principal repayment on long-term obligations from bonds payable	325,000
Principal repayment on long-term obligations from bus loan payable	40,040
Accrued interest on long-term debt is recorded in the statement of activities when incurred, it is not recorded in the governmental funds until it is paid.	
Accrued interest payable beginning of the year	6,867
Accrued interest payable end of the year	(5,783)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditures when financial resources are used in the governmental funds:	
Compensated payable beginning of the year	62,162
Compensated payable end of the year	(63,333)
Revenue in support of pension contributions made subsequent to measurement date	(345,921)
Change in deferred outflows of resources related to pension	(295,719)
Change in deferred inflows of resources related to pension	1,003,624
Change in net proportionate share of net pension liability	(51,456)
Change in deferred outflows of resources related to OPEB	131,522
Change in deferred inflows of resources related to OPEB	(155,885)
Change in net proportionate share of net OPEB liability	431,342
Governmental funds report revenues when they are collected within 60 days after the year end.	
Revenues are recorded in the statement of activities when earned.	(6,442)
Change in net position of governmental activities (Decrease)	\$ 1,625,135

The notes to the financial statements are an integral part of this statement.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **basic financial statements** of Britton Deerfield Schools (the “School District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District’s accounting policies are described below.

A. Reporting Entity

The School District is governed by the Board of Education (the “Board”) of Britton Deerfield Schools, which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. 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 School District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide And Fund 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 non-fiduciary activities of the School District. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the School District’s activities are classified as governmental activities.

Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities column of the statement of net position. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net position as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

State Foundation Aid, property taxes, certain revenue from the intermediate district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The School District first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate School District sources, interest income, and other revenues).

The School District does not allocate indirect costs.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds. Effective July 1, 2010, the School District has implemented their Fund Balance Policy in Accordance with GASB Statement No. 54 as follows:

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Purpose - The following policy has been adopted by the Board of Education in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the School District and jeopardize the continuation of necessary public services. This policy will ensure that the School District maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenues shortfalls and,
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the School District’s fund balance and reserve policies.

Fund type definitions - The following definitions will be used in reporting activity in governmental funds across the School District. The School District may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

- General fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
- Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.
- Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

- Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's purposes.

Fund balance reporting in governmental funds - Fund balance will be reported in governmental funds under the following categories:

Nonspendable fund balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The School District will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the government).
- The School District will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).
- The School District will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained in-tact.
- The School District will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale.

Restricted fund balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers; or through enabling legislation.

Committed fund balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority (i.e., the Board of Education).

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Board of Education. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Assigned fund balance

Definition – includes amounts intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The Board of Education delegates to the Superintendent or his/her/their designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

Definition – includes the residual classification for the School District’s general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Operational Guideline – The following guidelines address in the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the School District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the School District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The School District reports the following major governmental fund:

The General Fund

The 2017 Sinking Fund

Other Non-major Funds

The Special Revenue Fund

The Debt Service Funds and

The Capital Project Funds

Fiduciary Funds account for assets held by the School District in a trustee capacity or as an agent on behalf of others. Trust Funds account for assets held by the School District under the terms of a formal trust agreement. Fiduciary Funds are not included in the government-wide statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

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

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Modified Accrual Method

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. Revenue not meeting this definition is classified as deferred inflow of resources. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions and claims and judgments, are recorded only when payment is due.

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan.

The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the School Districts. For the year ended June 30, 2021, the foundation allowance was based on pupil membership counts taken in February and October of 2020.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2020 to August 2021. Thus, the unpaid portion on June 30, 2021 is reported as due from other governmental units.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The School 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, which are not expended by the close of the fiscal year is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Coronavirus Relief Funds

In August 2020 State School Aid payments, districts received a new allowance line item called "llp - CORONAVIRUS RELIEF FUNDS" equating to \$350 per pupil. Although these funds are coming through State Aid, they are restricted federal funds (making up a portion of Federal Coronavirus Relief Fund (CRF) (CFDA 21.019) usage authorized by Public Act 146 of 2020 signed into law on July 31, 2020). Districts must comply with the federal requirements, including that CRF may only be used to cover costs that were not accounted for in the most recently approved budget as of March 27, 2020. The expenditure period of CRF funds is March 1, 2020 - December 30, 2020. However, since the legislation establishing this funding was not signed into law during districts' 2019-20 fiscal year, these revenues were recognized in the 2020-21 financial statements.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The School District reports its investments in accordance with GASB 40, *Deposit and Investment Risk Disclosures*, GASB 72 *Fair Value Measurements*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

The School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. At June 30, 2021, the School District had \$217,888 in Money Market Deposit Account.

2. Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School 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. The actual due dates are September 14 and February 28, 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 School District levied the following amounts per \$1,000 of assessed valuation.

Fund	Mills
General Fund -Non Personal Residence and commercial property	18.00
2017 Sinking Fund-total taxable value	2.00
2016 Britton Debt - total taxable value	2.95

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and Prepaid Expenditures

Inventories are valued at cost (first-in, first-out). Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed or used rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Restricted Assets

The unspent property taxes levied and mandatory deposits held in the debt service funds are required to be set aside for future bond principal and interest payments. Unspent bond proceeds and related interest of the bonded capital projects funds are required to be set aside for allowable bond purchases. These amounts have been classified as restricted assets.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

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

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and equipment	5 – 20 years
Transportation equipment	3 – 7 years

The School District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

6. Deferred Outflows/Inflows

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2021, the School District's statement of net position had deferred outflows of resources related to deferred pension plan expenses and deferred post-employment benefits other than pension expenses totaling \$1,867,603 and \$683,743 respectively.

In addition to liabilities, the statement of net position and/or balance sheet 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 then. At June 30, 2021, the School District's statement of net position had deferred inflows of resources related to its pension plan, revenue in support of pension payments made subsequent to the measurement date and deferred inflows of resources related to its OPEB plan totaling \$1,834,771 and \$1,625,612, respectively. Furthermore, at June 30, 2021, the School District's balance sheet had deferred inflows of resources related to unavailable revenue totaling \$36,544.

7. Compensated absences

The liability for compensated absences reported in the government wide statement consists of earned and unused sick days. A liability for this amount is reported in the governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments are included.

8. Long term obligations

In the government-wide financial statements, long-term debt obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as deferred charges on refunding, are deferred and amortized over the life of the debt using the straight-line method over the term of related debt. The difference between the reacquisition price and the net carrying amount of the old debt are reported as a deferred outflow of resources or deferred inflow of resources. Bonds payable are

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

reported net of the applicable bond premium or discount. Bond issuance cost is reported as debt expenditures at the time they are incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt 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.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS), and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contribution as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

10. Fair Value Measurements

The School 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.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

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 Academy'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 School District's money market investment is valued as Level 2 inputs.

11. Use of Estimates

The process of preparing basic 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 expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

12. Postemployment Benefits Other Than Pensions

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

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

13. Fiduciary Activities

During the year ended June 30, 2021 the school district implemented Statement No. 84, Fiduciary Activities, issued by the Governmental Accounting Standards Board. Statement No. 84 required school districts to assess whether activities before the adoption of Statement No. 84 that were recorded as Agency Funds meet the criteria of a Fiduciary Fund as defined in Statement No. 84 or should be reported as a Governmental Fund. The School District determined that activity recorded as Agency Funds prior to the adoption of Statement No. 84 meets the criteria of a Governmental Fund as defined by in the standards, and have reported all former Agency Fund activities in the General Fund for the year ended June 30, 2021. Implementation of Statement No. 84 was also required to be on a retroactive basis. The impact of adopting Statement No. 84 is that the net position of the beginning fund balance is higher in the current year financial statements by \$172,818 when compared to the ending net position reported on the June 30, 2020 financial statements.

14. Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

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. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021. May 2020, GASB proposed to delay implementation date by one year due to COVID 19. (Statement No. 95 of the Governmental Accounting Standards Board).

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund.

The School District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The School 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 (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.

4. The Superintendent and Business Manager are authorized to transfer 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. Formal budgetary integration is employed as a management control device during the year for the General Fund.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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

Expenditures Over Appropriation in Budgeted Fund

The School District had the following general fund budget function overdrafts for the year ended June 30, 2021 as follows:

Function	Amounts by which expenditures exceeded appropriations
Pupil	97,007
Athletics	9,898

2007 and 2017 Sinking Fund Compliance

Sinking Fund – The 2007 and 2017 Sinking Fund records capital project activities funded with Sinking Fund millage. For these funds, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the School District. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2021, \$1,982,120 of the School District's bank balance of \$2,482,120 (money market deposit account, savings and checking accounts) that were uninsured and uncollateralized.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the School 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 School 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 School District will do business.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Due from governmental units June 30, 2021 consist of the following:

	General Fund	Food Service Fund	Total
Receivables:			
State	\$ 678,786	\$ -	\$ 678,786
Federal	-	-	-
Other Governmental Entity	36,544	-	36,544
Net Total Receivables	\$ 715,330	\$ -	\$ 715,330

No allowance for doubtful accounts is considered necessary.

NOTE 5 – RESTRICTED ASSETS

At June 30, 2021, restricted assets are composed of the following:

Description	Governmental Activities
Unspent property taxes levied for debt service	\$ 61,275
Unspent property taxes levied for sinking funds	757,700
Total	\$ 818,975

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Capital assets not being depreciated					
Land	\$ 71,075	\$ -	\$ -	\$ -	\$ 71,075
Subtotal	<u>71,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,075</u>
Capital assets being depreciated					
Land Improvements	1,103,428	17,639			1,121,067
Building and Improvements	10,921,468	217,524		112,000	11,250,992
Machinery, Equipment & Furniture	2,654,999	96,575	9,451		2,742,123
Transportation Equipment	808,065	40,040	52,943		795,162
Construction in Process	112,000			(112,000)	-
Total Depreciable Assets	<u>15,599,960</u>	<u>371,778</u>	<u>62,394</u>	<u>-</u>	<u>15,909,344</u>
Less: Accumulated depreciation for:					
Land Improvements	788,526	42,530			831,056
Building and Improvements	4,810,832	257,061		11,200	5,079,093
Machinery, Equipment & Furniture	2,531,423	35,150	9,451		2,557,122
Transportation Equipment	544,754	81,929	52,943		573,740
Construction in Process	-	11,200		(11,200)	-
Subtotal	<u>8,675,535</u>	<u>427,870</u>	<u>62,394</u>	<u>-</u>	<u>9,041,011</u>
Net Depreciable Capital Assets	<u>6,924,425</u>	<u>(56,092)</u>	<u>-</u>	<u>-</u>	<u>6,868,333</u>
Governmental Activities Capital Assets, net	<u>\$ 6,995,500</u>	<u>\$ (56,092)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 6,939,408</u>

Depreciation is computed by the straight-line method for all classes of assets. Depreciation for the fiscal year ended June 30, 2021 amounted to \$427,870. The School District determined that it was impractical to allocate depreciation and amortization to the various governmental activities as the assets serve multiple functions.

NOTE 7 - LONG-TERM DEBT

On February 10, 2016, the School District issued \$3,310,000 in General Obligation Bonds with an average interest rate of 2.02% to advance refund \$2,690,000 of outstanding 2006 Refunding Bonds and \$925,000 of outstanding 2005 Building and Site Bonds, with an average interest rates of 4.1% and 4.00%, respectively.

The net proceeds of \$3,416,942 (after payment of \$31,058 in underwriting fees, and other insurance costs) together with \$138,000 from the 2006 Debt Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the callable 2006 Refunding Bonds and 2005 Building and Site Bonds.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 - LONG-TERM DEBT (Continued)

As a result, the callable 2006 Refunding Bonds and the 2005 Building and Site Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt. The original bonds were paid by the escrow agent on May 1, 2016. These bonds are in compliance with Section 380.1212 of the School District Revised School Code.

A schedule of the 2016 refunding bond issue for Britton is as follows:

Year Ended	Interest	Principal	Interest Due		Total Due
			June 30	Rate	
2022	2.000%	335,000	17,800	17,800	370,600
2023	2.000%	340,000	14,450	14,450	368,900
2024	2.000%	345,000	11,050	11,050	367,100
2025	2.000%	355,000	7,600	7,600	370,200
2026	2.000%	360,000	4,050	4,050	368,100
		<u>\$ 1,735,000</u>	<u>\$ 54,950</u>	<u>\$ 54,950</u>	<u>\$ 1,844,900</u>

In August 2019, the School District entered into a municipal lease agreement with Santander Leasing LLC (lessor) for the lease of 3 buses beginning school year 2019-2020. The lease calls for annual rent of \$40,040 for the three buses. The term of the lease is for 5 years. In conjunction with the municipal lease agreement mentioned above, the School District entered into a leased vehicle assignment agreement with Midwest Transit Equipment. Under this agreement, it allows the School District to assign the buses to Midwest Transit Equipment at the end of July 2022. A schedule of the future payments related to this bus is as follows:

Fiscal Year Ending,	Governmental Activities		
	Principal	Interest	Total
2021	40,040	8,271	48,311
2022	48,915	6,762	55,677
2023	48,915	4,759	53,674
2024	58,704	2,662	61,366
	<u>\$ 196,574</u>	<u>\$ 22,454</u>	<u>\$ 219,028</u>

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 - LONG-TERM DEBT (Continued)

The following is a schedule of the governmental long-term obligations for the School District for the year ended June 30, 2021:

	2016 Refunding Bonds Britton	New Lease Purchase from Direct Borrowings Deerfield	Compensated Absences	Total
Balance July 1, 2020	\$ 2,060,000	\$ 236,614	\$ 62,162	\$ 2,358,776
Additions	-		1,171	1,171
Deletions	(325,000)	(40,040)		(365,040)
Balance June 30, 2021	1,735,000	196,574	63,333	1,994,907
Less: Current Portion	335,000	40,040	6,069	381,109
Total due after one year	<u>\$ 1,400,000</u>	<u>\$ 156,534</u>	<u>\$ 57,264</u>	<u>1,613,798</u>

The debt service requirements of governmental activities at June 30, 2021 were as follows:

Governmental Activities

Fiscal Year Ending,	Bond	
	Principal	Interest
2022	335,000	35,600
2023	340,000	28,900
2024	345,000	22,100
2025	355,000	15,200
2026	360,000	8,100
Total	<u>\$ 1,735,000</u>	<u>\$ 109,900</u>

Interest expense for the year amounted to \$41,516.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended,

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

(Continued)

Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members-eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

Benefits Provided

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

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

Contribution

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

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

(Continued)

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

The School District's required and actual contributions to the plan for the year ended June 30, 2020 were \$774,808, which includes the School District contribution required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$345,921 in revenue received from the State of Michigan, and remitted to MPSERS to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2021.

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

Pension Contribution Rates

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

Required contributions from School District were \$727,987 for the year ended September 30, 2020.

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

At June 30, 2021, the School District's reported a liability of \$9,099,696 for its proportionate share of the MPSERS net pension liability. 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 rolled forward from September 30, 2019.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

(Continued)

The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, School District's proportion was 0.02649 percent, which was a decrease of 0.00083 percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021 the School District recognized total pension expense of \$403,659. At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferered Inflows of Resources
Difference between actual and expected experience	\$ 139,036	\$ 19,422
Changes of assumptions	1,008,334	-
Net difference between projected and actual earnings on pension plan investments	38,233	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,469,429
School District contributions subsequent to the measurement date	<u>682,000</u>	<u>-</u>
Total	<u>\$ 1,867,603</u>	<u>\$ 1,488,851</u>

Contributions subsequent to measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	
2021	\$ (206,526)
2022	\$ (126,621)
2023	\$ (6,365)
2024	\$ 36,264

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

In addition, the School District had deferred inflows of revenues related to revenue in support of pension payments made subsequent to the measurement date totaling \$345,921 at June 30, 2021.

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return MIP and Basic Plans:	6.80%
Pension Plus Plan	6.80%
Pension Plus 2 Plan	6.00%
Projected Salary Increases:	2.75% to 11.55% Including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

(Continued)

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

Active

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

Notes

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.4892 for non-university employers).
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

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

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

Rate of Return

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

Discount Rate

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

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

(Continued)

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

The following presents the School District's proportionate share of the net pension liability, calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.80% / 5.80% / 5.0%	6.80% / 6.80% / 6.0%	7.80% / 7.80% / 7.0%
<u>\$11,778,013</u>	<u>\$9,099,696</u>	<u>\$6,879,968</u>

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus, and Pension Plus 2 plans.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2021, the School District reported a payable of approximately \$62,923 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

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

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

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

Benefits Provided

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

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

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

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

Contributions

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

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

The School District’s required and actual contributions to the plan for the year ended June 30, 2021 were \$184,218.

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

OPEB Contribution Rates

Benefit Structure	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00 %	8.09 %
Personal Healthcare Fund (PHF)	0.00 %	7.57 %

Required contributions to the OPEB plan from the School District were \$188,448 for the year ended September 30, 2020.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

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

At June 30, 2021, the School District reported liability of \$1,428,919 for its proportionate share of all MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was .02667 percent, which was a decrease of 0.00076 percent from its proportion measured as of October 1, 2020.

For the year ending June 30, 2021, the School District recognized OPEB expense of (\$222,093). At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferered Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 1,064,678
Changes of assumptions	471,143	-
Net difference between projected and actual earnings on OPEB plan investments	11,926	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	55,811	560,934
School District contributions subsequent to the measurement date	144,863	-
Total	<u>\$ 683,743</u>	<u>\$ 1,625,612</u>

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 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:

Deferred (Inflow) and Deferred Outflow
of Resources by Year
(To Be Recognized in Future OPEB Expenses)

2021	\$	(340,524)
2022	\$	(323,931)
2023	\$	(241,281)
2024	\$	(117,344)
2025	\$	(63,652)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	6.95%

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

Projected Salary Increases: 2.75% to 11.55%
Including wage inflation at 2.75%

Healthcare Cost Trend Rate: 7.0% Year 1 graded to 3.5% Year 15

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

Active

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

Other Assumptions:

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

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

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (5.6018 for non-university employers).
- Recognition period for assets in years is 5.000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2019, are summarized in the following table:

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

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

Rate of Return

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

Discount Rate

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$1,835,609	\$1,428,919	\$1,086,520

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$1,073,411	\$1,428,919	\$1,833,266

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 - INTERFUND BALANCES AND TRANSFERS

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at June 30, 2021 are expected to be repaid within the next fiscal year.

A schedule of interfund balances follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Nonmajor	1,884	Major	\$ 1,884
	\$ 1,884		\$ 1,884

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are based on the ultimate cost of the experience to date of the participating members of the risk pool. The School District cannot estimate losses from reported and unreported claims at June 30, 2021. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency.

The School 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 12 - CONTINGENCIES

The School District had no contingencies at June 30, 2021.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - SHORT-TERM DEBT - STATE AID NOTES

State School aid anticipation notes are issued under the provisions of Section 1225 of Act 451, Public Acts of Michigan, and Act 34 of Michigan for the purpose of providing money for school operations. The School District has pledged its state aid as collateral. In the event of unavailability or insufficiency of State school aid, the note is payable from taxes levied by the School District. The interest rate is 0.7% for Series 2020 A-1 and 0.25% for Series 2020 A-2 and the maturity date is through August 20, 2021. The interest expense related to these notes at June 30, 2021 is \$5,823.

Short-term debt activity for the fiscal year ended June 30, 2021 was as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>
2019-2020	\$ 1,033,260	\$ -	\$ 1,033,260	\$ -
2020-2021	<u>-</u>	<u>1,627,823</u>	<u>698,873</u>	<u>928,950</u>
Totals	<u>\$ 1,033,260</u>	<u>\$ 1,627,823</u>	<u>\$ 1,732,133</u>	<u>\$ 928,950</u>

NOTE 14 - NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$1,007,442 of restricted net position at June 30, 2021, all of which is restricted by enabling legislation.

NOTE 15 - SUBSEQUENT EVENTS

Evaluation of Events and Transactions

The District's management has evaluated subsequent events through October 18, 2021, the date which the financial statements were available to be issued. District's management has concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Britton Deerfield Schools
Budgetary Comparison Schedule
General Fund
June 30, 2021

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
Revenues:				
Local sources	\$ 1,138,018	\$ 1,153,584	\$ 1,213,807	\$ 60,223
Intermediate sources	446,073	494,643	526,526	31,883
State sources	3,245,524	3,743,247	3,676,909	(66,338)
Federal sources	26,736	181,451	247,978	66,527
Total revenues	<u>4,856,351</u>	<u>5,572,925</u>	<u>5,665,220</u>	<u>92,295</u>
Expenditures:				
Current:				
Instruction:				
Basic programs	2,309,014	2,314,203	2,250,725	63,478
Added needs	684,734	658,679	657,792	887
Total instruction	<u>2,993,748</u>	<u>2,972,882</u>	<u>2,908,517</u>	<u>64,365</u>
Support services:				
Pupil	213,592	249,966	346,973	(97,007)
Instructional staff	11,370	39,726	39,678	48
General administration	257,472	275,767	266,167	9,600
School administration	389,393	418,602	415,478	3,124
Business and fiscal services	142,678	152,832	114,424	38,408
Operation & maintenance	539,885	741,768	710,455	31,313
Transportation	306,383	271,005	268,610	2,395
Central	85,002	43,246	30,597	12,649
Athletics	156,342	202,745	212,643	(9,898)
Total support services	<u>2,102,117</u>	<u>2,395,657</u>	<u>2,405,024</u>	<u>(9,367)</u>
Community service:	260	-	-	-
Total community service	<u>260</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt service:				
Principal repayment	-	-	-	-
Interest and fees	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>5,096,125</u>	<u>5,368,539</u>	<u>5,313,540</u>	<u>54,999</u>
Excess (deficiency) of revenues over expenditures	<u>(239,774)</u>	<u>204,386</u>	<u>351,680</u>	<u>147,294</u>
Other financing sources (uses):				
Indirect cost transfer	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(239,774)</u>	<u>204,386</u>	<u>351,680</u>	<u>147,294</u>
Fund balance:				
Beginning of year	498,244	498,244	498,244	-
End of year	<u>\$ 258,470</u>	<u>\$ 702,630</u>	<u>\$ 849,924</u>	<u>\$ 147,294</u>

Britton Deerfield Schools
Budgetary Comparison Schedule
2017 Sinking Fund
June 30, 2021

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
Revenues:				
Local sources:				
Property taxes	\$ 431,782	\$ 431,700	\$ 431,487	\$ (213)
Interest	1,000	972	1,077	105
Total revenues	<u>432,782</u>	<u>432,672</u>	<u>432,564</u>	<u>(108)</u>
Expenditures:				
Support service	-	-	-	-
Capital outlay	238,872	174,921	174,914	7
Total expenditures	<u>238,872</u>	<u>174,921</u>	<u>174,914</u>	<u>7</u>
Net change in fund balance	193,910	257,751	257,650	(115)
Fund balance:				
Beginning of year	474,929	474,929	474,929	-
End of year	<u>\$ 668,839</u>	<u>\$ 732,680</u>	<u>\$ 732,578</u>	<u>\$ (115)</u>

Britton Deerfield Schools
Required Supplemental Information
Schedule of Britton Deerfield Schools' Pension Contribution to
Michigan Public Schools Employees Retirement Plan
Determined as of the Year Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018*</u>	<u>2017</u>
Statutorily required contributions	\$ 774,808	\$ 723,636	\$ 729,187	\$ 826,064	\$ 772,802
Contribution in relation to statutorily required contribution	<u>774,808</u>	<u>723,636</u>	<u>729,187</u>	<u>826,064</u>	<u>772,802</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 2,244,153	\$ 2,351,621	\$ 2,283,696	\$ 2,533,180	\$ 2,440,391
Contribution as a percentage of covered-employee payroll	34.53%	30.77%	31.93%	32.61%	31.67%
	<u>2016</u>	<u>2015</u>			
Statutorily required contributions	\$ 853,703	\$ 808,326			
Contribution in relation to statutorily required contribution	<u>853,703</u>	<u>808,326</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
School District's covered-employee payroll	\$ 3,328,195	\$ 3,850,746			
Contribution as a percentage of covered-employee payroll	25.65%	20.99%			

*Adjustment has been made to remove the MPSERS 147 c(2) previously included.

Britton Deerfield Schools
Required Supplemental Information
Schedule of Britton deerfield Schools' Proportionate Share of the Net Pension Liability
Michigan Public Schools Employees Retirement Plan
Determined as of the Plan Year Ended September 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
School District's proportion of the net pension liability	0.02649%	0.02732%	0.03260%	0.03761%	0.04170%
School District's proportionate share of the net pension liability	\$ 9,099,696	\$ 9,048,240	\$ 9,817,557	\$ 9,746,643	\$ 10,403,023
School District's covered-employee payroll	\$ 2,356,797	\$ 2,258,544	\$ 2,471,801	\$ 3,018,137	\$ 3,429,007
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	386.10%	400.62%	397.18%	322.94%	303.38%
Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%
	<u>2015</u>	<u>2014</u>			
School District's proportion of the net pension liability	0.04250%	0.04370%			
School District's proportionate share of the net pension liability	\$ 10,808,873	\$ 9,624,941			
School District's covered-employee payroll	\$ 3,752,650	\$ 3,850,746			
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	288.03%	249.95%			
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%			

See notes to required supplemental information.

Britton Deerfield Schools
Required Supplemental Information
Schedule of Britton Deerfield Schools' OPEB Contribution to
Michigan Public Schools Employees Retirement Plan
Determined as of the Year Ended June 30

	2021	2020	2019	2018
Statutorily required contributions	\$ 184,218	\$ 187,415	\$ 178,728	\$ 183,380
Contribution in relation to statutorily required contribution	<u>184,218</u>	<u>187,415</u>	<u>178,728</u>	<u>183,380</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 2,244,153	\$ 2,351,621	\$ 2,283,695	\$ 2,533,180
Contribution as a percentage of covered-employee payroll	8.21%	7.97%	7.83%	7.24%

See notes to required supplemental information.

Britton Deerfield Schools
Required Supplemental Information
Schedule of Britton Deerfield Schools' Proportionate Share of the Net OPEB Liability
Michigan Public Schools Employees Retirement Plan
Determined as of the Plan Year Ended September 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.02667%	0.02592%	0.02908%	0.03775%
School District's proportionate share of the net OPEB liability	\$ 1,428,919	\$ 1,860,261	\$ 2,312,159	\$ 3,342,654
School District's covered-employee payroll	2,356,797	2,258,544	2,471,801	3,018,137
School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	60.63%	82.37%	93.54%	110.75%
Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%

See notes to required supplemental information.

BRITTON DEERFIELD SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

NOTE 1: CHANGES OF BENEFIT TERMS

There were no changes of benefit terms in 2020 for pension and OPEB.

NOTE 2: CHANGES OF ASSUMPTIONS

There were no changes of benefit assumptions in 2020 for pension and OPEB. *Pension Information*

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2020.

Changes in Assumptions

There were no changes of benefit assumptions in 2020.

Covered Payroll

The employer's covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 82, Pension Issues – *An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

BRITTON DEERFIELD SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Benefit Changes

There were no changes of benefit terms in 2020.

Changes in Assumptions

There were no changes of benefit assumptions in 2020.

Covered Payroll

The employer's covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 82, *Pension Issues – An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

OTHER SUPPLEMENTAL INFORMATION

**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
Britton Deerfield Schools
Britton, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Britton Deerfield Schools (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated October 18, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District’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 deficiency 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 the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hodges Accounting & Advisory Services

HODGES ACCOUNTING & ADVISORY SERVICES

Taylor, MI
October 18, 2021

**BRITTON DEERFIELD SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

GOVERNMENT AUDITING STANDARDS FINDINGS

2020-001 **Finding Type** – Significant Deficiency

State Agency – Department of Education

Responsible Person – Sue Andries – Business Manager

Finding: Adequate design of internal control to meet budget and prevent expenditures from exceeding available revenues for the fiscal year. The School district did not meet budgeted revenues and did not reduce expenditures to a level that did not reduce the ending fund balance.

Planned Corrective Actions:

Business Manager will monitor expenditures throughout the year to ensure expenditures don't exceed available revenues and cause a reduction of ending fund balance compared to prior year.

FEDERAL PROGRAM AUDIT FINDINGS

None.

**Britton Deerfield Schools
Combining Balance Sheet
Nonmajor Governmental Fund
June 30, 2021**

	<u>Food Service Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>2007 Sinking Fund</u>	<u>Total Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets						
Assets:						
Cash and equivalents	\$ 19,532	\$ -	\$ -	\$ -	\$ -	\$ 19,532
Receivables						
Accounts	577	-	-	-	-	577
Other governmental units	-	-	-	-	-	-
Due from other funds	1,884	-	-	-	-	1,884
Prepaid expenditures	-	-	-	-	-	-
Inventory	991	-	-	-	-	991
Restricted assets	-	61,275	9,732	15,390	25,122	86,397
Total Assets	<u>\$ 22,984</u>	<u>\$ 61,275</u>	<u>\$ 9,732</u>	<u>\$ 15,390</u>	<u>\$ 25,122</u>	<u>\$ 109,380</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenditures	-	-	-	-	-	-
Accrued salary and benefits	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	4,581	-	-	-	-	4,581
Total Liabilities	<u>4,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,581</u>
Fund Balances:						
Nonspendable - inventory	991	-	-	-	-	991
Restricted						
School lunch program	17,411	-	-	-	-	17,411
Debt service	-	61,275	-	-	-	61,275
Capital outlay	-	-	9,732	15,390	25,122	25,122
Total Fund Balances	<u>18,403</u>	<u>61,275</u>	<u>9,732</u>	<u>15,390</u>	<u>25,122</u>	<u>104,800</u>
Total Liabilities and Fund Balances	<u>\$ 22,984</u>	<u>\$ 61,275</u>	<u>\$ 9,732</u>	<u>\$ 15,390</u>	<u>\$ 25,122</u>	<u>\$ 109,380</u>

Britton Deerfield Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2021

	Food Service Revenue	Debt Service	Capital Project	2007 Sinking Fund	Total Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:						
Local sources:						
Property taxes	\$ -	\$ 367,866	\$ -	\$ -	\$ -	\$ 367,866
Investment earnings	-	180	-	-	-	180
Food sales	10,100	-	-	-	-	10,100
Other	-	-	-	-	-	-
Total local sources	<u>10,100</u>	<u>368,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,146</u>
State sources	12,299	-	-	-	-	12,299
Federal sources	<u>233,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,211</u>
Total revenues	<u>255,611</u>	<u>368,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623,657</u>
Expenditures:						
Food service/activities	260,178	-	-	-	-	260,178
Capital outlay	-	-	-	-	-	-
Debt service						
Principal repayment	-	325,000	-	-	-	325,000
Interest payment	-	42,600	-	-	-	42,600
Fees	-	-	-	-	-	-
Total expenditures	<u>260,178</u>	<u>367,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>627,778</u>
Excess (deficiency) of revenues over expenditures	<u>(4,567)</u>	<u>446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,121)</u>
Other Financing Sources (Uses):						
Indirect cost transfer	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(4,567)</u>	<u>446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,121)</u>
Fund balance:						
Beginning of year	22,970	60,829	9,732	15,390	25,122	108,921
End of year	<u>\$ 18,403</u>	<u>\$ 61,275</u>	<u>\$ 9,732</u>	<u>\$ 15,390</u>	<u>\$ 25,122</u>	<u>\$ 104,800</u>

October 18, 2021

Board of Education
Britton Deerfield Schools
Britton, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Britton Deerfield Schools (the School District) for the year ended June 30, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 17, 2021 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management discussion analysis, budgetary comparison schedule of major fund, schedule of pension contributions, schedule of the School District's proportionate share of the net pension liability, schedule of other postemployment benefit (OPEB) contributions, and schedule of the School District's proportionate of the net OPEB liability, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on other supplementary information such as the nonmajor combining statements, nonmajor governmental funds individual balance sheet and statement of revenues, expenditures and changes in fund balance, and schedule of cash receipts, disbursements and liabilities of the agency fund, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope, Timing of the Audit, and Other

We performed our audit according to the planned scope and timing previously communicated in our discussion with the Board of Education President and in our engagement letter about the audit scope and timing.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by School District are described in Note 1 to the financial statements. As discussed in Note 1 to the basic financial statements, effective July 1, 2018, the School District adopted the provisions of the Governmental Accounting Standards Board Statement No. 88. Accordingly, the adoption of this GASB is to improve the financial reporting disclosure related to debt.

We noted no transactions entered into by School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements relate to the School District's share of the MPSERS pension plan net pension liability and net OPEB liability recorded on the government-wide statements for the implementation of GASB 68 and GASB 75, respectively.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of net pension liability and net OPEB liability.

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

Difficulties Encountered in Performing the Audit

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

Corrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 18, 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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to Management's Discussion & Analysis, Budgetary Comparison Schedule (General Fund and 2017 Sinking Fund), Schedule of Britton Deerfield Schools' Pension Contributions, Schedule of Britton Deerfield Schools' Proportionate Share of Net Pension Liability, Schedule of Britton Deerfield Schools OPEB contributions, Schedule of Britton Deerfield Schools' Proportionate Share of Net OPEB Liability and notes to required supplementary information which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the other supplemental information accompanying the financial statements that are not RSI, as shown in the table of contents, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Hodges Accounting & Advisory Services

Hodges Accounting & Advisory Services