

Bronson Community Schools

Financial Report
With Supplementary Information

Year Ended June 30, 2021

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Separate
Cover



WILLIS & JURASEK
CPAS AND CONSULTANTS

Independent Auditors' Report

Board of Education
Bronson Community Schools
Bronson, 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 Bronson Community Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and certain pension and OPEB 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, which 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 Bronson Community Schools' basic financial statements. The combining nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report (under separate cover) dated September 9, 2021, on our consideration of Bronson Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronson Community Schools' internal control over financial reporting and compliance.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.
September 9, 2021

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

As administration of Bronson Community Schools, Counties of Branch and St. Joseph, State of Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

Financial Highlights

- In accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, an unfunded pension liability has been established through actuarial valuations and will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038. A liability has also been recorded for postemployment benefits other than pensions (OPEB) similar to reporting in regards to pension plans (as per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*). With the recording of these two liabilities, the liabilities of the District exceeded its assets. The balance of the net position at the close of the most recent fiscal year was \$(8,556,117), a negative net position.
- The District's total net position increased by \$670,228. The increase represents an increase in ongoing revenues and decreases in ongoing expenditures.
- As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was \$6,262,425 or approximately 56 percent of the total expenditures of these funds.
- The General Fund had a net change in fund balance of \$945,683. At the end of the year, the total fund balance for the General Fund was \$4,374,508 or approximately 41 percent of the total General Fund expenditures and outgoing transfers.
- In a prior fiscal year, the taxpayers of the District approved a Sinking Fund tax levy of 2.0 mills for five years to make improvements to the school facilities. This year we began the process of planning for improvements such as the sixth grade egress, bathroom renovations at the Jr./Sr. High School, along with stadium lighting replacement. All of the leg work was completed and we went out for bid to only receive one bid, at a cost much higher than expected. It was then determined that we would wait go out for bid again at a later date in hopes of gaining more competitive pricing. The property tax revenue for the fiscal year restricted to Sinking Fund capital improvement expenditures totaled approximately \$470,000.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant funds – the General Fund, Sinking Funds, Food Service Fund, and Student Activities Fund.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities – One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations.

The Statement of Net Position and Statement of Activities report the governmental activities for the District. These services include instruction, support services, community services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues, (unrestricted and restricted State Aid), and charges for services finance most of these activities. All of the current year's revenues and expenses for these services are taken into consideration regardless of when cash is received or paid.

The Statement of Net Position reports the District's net position, the difference between assets and deferred outflows, and liabilities and deferred inflows. The Statement of Activities reports the District's change in net position, the revenues less expenses for the fiscal year, either as an increase or a decrease, or in other words, the operating results for the year. However, the School District's goal is to provide services to its students, not to generate profits, as private-sector corporations do.

These two statements report the District's net position and changes in net position. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The district-wide financial statements can be found on pages 1- 2 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Accounting Manual*.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Additional Information – The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7 – 23 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net position and changes in net position of the District's governmental activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following is a summary of the School District's net position as of June 30, 2021 and 2020:

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Assets:		
Current assets	\$ 7,762,681	\$ 6,140,808
Non-current assets	4,447,930	4,538,769
Total assets	<u>12,210,611</u>	<u>10,679,577</u>
 Deferred Outflows of Resources	 <u>5,716,739</u>	 <u>6,259,657</u>
 Liabilities:		
Current liabilities	1,500,256	1,459,096
Non-current liabilities	21,913,366	21,848,551
Total liabilities	<u>23,413,622</u>	<u>23,307,647</u>
 Deferred Inflows of Resources	 <u>3,069,845</u>	 <u>2,857,932</u>
 Net Position:		
Invested in capital assets - net of related debt	4,447,930	4,538,769
Restricted	1,323,661	886,169
Unrestricted	(14,327,708)	(14,651,283)
Total net position	<u>\$ (8,556,117)</u>	<u>\$ (9,226,345)</u>

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and the reconciliation appears on page 4.

By far the largest portion of the District's positive net position reflects its investment in capital assets (i.e. land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

Typically, one portion of the District's net position, the *restricted* portion, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, *restricted* net position is related to property taxes collected for sinking fund capital projects not spent at year-end. The *unrestricted* balance of \$(14,327,708), which is a *negative* net position, is negative as a result of the pension and OPEB liabilities. The pension and OPEB liabilities at fiscal year-end are expected to be reduced to \$0 over an approximate 19-year period.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities, which depicts the changes in net position.

The following is a summary of the change in net position for the year ended June 30, 2021 and 2020.

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 121,179	\$ 243,532
Operating grants	3,327,761	2,368,700
General revenues:		
Property taxes	1,644,991	1,580,177
Grants and state aid	7,504,902	7,306,540
Other	100,615	168,519
Total revenues	<u>12,699,448</u>	<u>11,667,468</u>
Functions/Program Expenses:		
Instruction	7,144,129	6,946,289
Support services	3,939,879	3,931,294
Food service activities	584,383	659,099
Student activities	22,173	123,122
Community service	31,707	7,988
Capital outlay	5,840	4,051
Depreciation (unallocated)	301,109	294,428
Total expenses	<u>12,029,220</u>	<u>11,966,271</u>
Increase (decrease) in net position	670,228	(298,803)
Net position beginning of year	<u>(9,226,345)</u>	<u>(8,927,542)</u>
Ending net position	<u>\$ (8,556,117)</u>	<u>\$ (9,226,345)</u>

The District's net position increased by \$670,228 during the current fiscal year. The increase in net position differs from the change in fund balances and the reconciliation appears on page 6.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State Aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan Law. The most significant budgeted funds are the General Fund and the Food Service Fund.

During the fiscal year ended June 30, 2021, the School District amended the budgets of these governmental funds twice. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The General Fund actual revenue and other financing sources was \$11,556,831. That amount is slightly below the amended budget estimate of \$11,532,808. The variance (0.21%) was due in most part to year-end adjustments in State Aid revenues for the MPSERS Normal Cost Offset that came in the August payment.

The actual expenditures and other financing uses of the General Fund were \$10,611,148, which is below the amended budget estimate of \$10,704,548. The \$93,400 variance (0.88%) was due to COVID-19 again this year with orders being delayed and not received in the current fiscal year along with normal reductions in expenses for retirement and FICA purposes. More detail of these changes may be found in the District budget amendment resolutions.

The General Fund had total revenues of \$11,556,831 and total expenditures of \$10,611,148 with a net change in fund balance of \$945,683 and an ending fund balance of \$4,374,508. The current year net increase was very difficult to predict with the unpredictability of the vendors delivering supplies due to material and worker shortages in the fiscal year as a result of the pandemic.

There were no significant differences between the final budget and actual amounts.

Capital Asset and Debt Administration

Capital Assets – At the end of the fiscal year 2021, the School District had \$11,246,103 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$6,798,173 in depreciation has been taken over the years. We currently have a net book value of \$4,447,930.

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 62,200	\$ 62,200
Buildings and improvements	5,439,455	5,439,455
Site improvements	1,943,453	1,818,710
Furniture and equipment	2,663,386	2,655,106
Buses and other vehicles	1,137,609	1,113,232
Total capital assets	11,246,103	11,088,703
Less accumulated depreciation	6,798,173	6,549,934
Net capital assets	<u>\$ 4,447,930</u>	<u>\$ 4,538,769</u>

Major capital asset events during the current fiscal year included the following:

Purchase of food service equipment (\$17,596), network upgrade project (\$76,352), and one bus (\$93,379) plus some construction in progress costs for a lighting project and the Jr/Sr High bathroom project.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

Long-Term Debt – State statutes limit the amount of general obligation debt that a school district may issue to 15 percent of its total assessed valuation (State Equalized Value). At June 30, 2021, the District had no long-term bonded debt outstanding. There was no new borrowing this year including State Aid notes. The District does have a long-term pension liability, netted with related deferred inflows and deferred outflows of resources, of approximately \$15,500,000. This liability is being amortized over a 21 year period. The District also has a long-term OPEB liability, netted with related deferred inflows and deferred outflows of resources, of approximately \$3,700,000. This liability is being amortized over a 21 year period. See Note 7 for further information.

Economic Factors and Next Year's Budgets and Rates

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among school districts. The State Aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994-1995. The foundation allowance has not yet been established for the 2021-2022 fiscal year. The foundation guarantee consists of the locally raised property taxes plus State Aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a State-wide property tax of six mills on all property (homestead and non-homestead), a State sales and use tax, a real estate transfer tax and a cigarette tax. One additional factor for Bronson Community Schools is the loss of revenue due to a "Headlee Rollback." This occurs when the revenue generated by the increase in taxable values of property in the District outstrips the rate of inflation. This has caused the District to rollback the millage it may levy on all non-homestead property to 17.7264 mills instead of the 18 mills that have been voter approved. Consequently, the District has lost over \$193,016 in revenue since '04-'05. The loss will be approximately \$10,000 per year. If the State does not receive enough revenue to support enacted State School Aid Budgets we could have our State Aid payments reduced during the year which has happened in the past.

COVID-19 has really impacted the State funding; at the time of this writing, we still do not have a State Aid budget to begin the school year. Changes in the costs for the retirement contribution for employees along with the impending increases in federal and State funding are causing a lot of uncertainty. We have received and are expecting to receive more federal funds for the upcoming year, but not knowing what the spending requirements are make it difficult to plan and budget. We are monitoring the situation very closely by making staffing decisions based on facts and projected student numbers. We will continue to look for opportunities to improve items in the District, while also keeping in the mind some of the funding sources are one time funds that will not continue from year to year. Our buildings continue to show signs of aging, but we are working very hard to do as much as we can with the funds we have available.

The following factors were considered in preparing the District's budgets for the 2021-2022 fiscal year:

- Foundation allowance of approximately \$8,275 per pupil – an increase of \$164 per pupil from '21-'22
- Used hard caps for all staff for the insurance costs
- Student enrollment projected at 15 FTE lower than the blended count for 2021-2022
- Steps and lanes for all teaching staff and steps for support staff, as well as a 1.25% increase for all staff
- Changes to longevity for teachers and added longevity for support staff and administrators
- Retirement blended rate including the MPSERS Stabilization increased from 42.67% to 43.54%

Additional detail is available through analyzing District budgets and supporting documents for '21-'22.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2021

Requests for Information

This financial report is designed to provide a general overview of the Bronson Community School's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

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Bronson Community Schools

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets:	
Cash and investments	\$ 5,791,885
Receivables:	
Due from other governmental units	1,906,794
Inventories	6,837
Prepaid expenses	57,165
Capital assets less accumulated depreciation	4,447,930
Total assets	<u>12,210,611</u>
Deferred Outflows of Resources:	
Pension related	4,231,907
OPEB related	1,484,832
Total deferred outflows of resources	<u>5,716,739</u>
Liabilities:	
Accounts payable and accrued expenses	1,229,964
Unearned revenue	270,292
Net pension liability	18,928,758
Net OPEB liability	2,984,608
Total liabilities	<u>23,413,622</u>
Deferred Inflows of Resources:	
Pension related	825,912
OPEB related	2,243,933
Total deferred inflows of resources	<u>3,069,845</u>
Net Position:	
Net investment in capital assets	4,447,930
Restricted for:	
Capital projects	1,323,661
Unrestricted	(14,327,708)
Total net position	<u>\$ (8,556,117)</u>

Bronson Community Schools

Statement of Activities
Year Ended June 30, 2021

Funtions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
				Net (Expenses) Revenues and Change in Net Position
Primary government				
Governmental activities:				
Instruction	\$ 7,144,129	\$ -	\$ 2,343,505	\$ (4,800,624)
Support services	3,939,879	100,833	92,362	(3,746,684)
Food service activities	584,383	20,346	779,591	215,554
Student activities	22,173	-	22,303	130
Community services	31,707	-	-	(31,707)
Capital outlay	5,840	-	90,000	84,160
Depreciation (unallocated)	301,109	-	-	(301,109)
Total governmental activities	<u>\$ 12,029,220</u>	<u>\$ 121,179</u>	<u>\$ 3,327,761</u>	<u>\$ (8,580,280)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,177,613
Property taxes, levied for capital projects				467,378
State aid not restricted to specific purposes				7,504,902
Interest and investment earnings				9,316
Other				91,299
Total general revenues				<u>9,250,508</u>
Change in Net Position				670,228
Net Position - Beginning of Year				<u>(9,226,345)</u>
Net Position - End of Year				<u>\$ (8,556,117)</u>

Bronson Community Schools

Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Nonmajor Funds	Total Governmental Funds
<u>Assets</u>			
Cash and investments	\$ 3,968,409	\$ 1,823,476	\$ 5,791,885
Due from other governments	1,850,603	56,191	1,906,794
Inventories	-	6,837	6,837
Prepaid expenditures	17,165	40,000	57,165
Total assets	<u>\$ 5,836,177</u>	<u>\$ 1,926,504</u>	<u>\$ 7,762,681</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 7,686	\$ 30,131	\$ 37,817
Unearned revenue	263,178	7,114	270,292
Salaries payable	713,610	1,342	714,952
Accrued expenditures	477,195	-	477,195
Total liabilities	<u>1,461,669</u>	<u>38,587</u>	<u>1,500,256</u>
Fund Balances:			
Nonspendable:			
Inventories	-	6,837	6,837
Prepaid expenditures	17,165	40,000	57,165
Restricted:			
Food services	-	422,521	422,521
Student activities	-	94,898	94,898
Capital projects	-	1,323,661	1,323,661
Assigned for subsequent year expenditures	872,941	-	872,941
Unassigned	3,484,402	-	3,484,402
Total fund balances	<u>4,374,508</u>	<u>1,887,917</u>	<u>6,262,425</u>
Total liabilities and fund balances	<u>\$ 5,836,177</u>	<u>\$ 1,926,504</u>	<u>\$ 7,762,681</u>

Bronson Community Schools

Reconciliation of Fund Balances on the Balance Sheet of Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position June 30, 2021

Total Fund Balances - Governmental Funds		\$	6,262,425
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
The cost of capital assets is	\$	11,246,103	
Accumulated depreciation is		<u>(6,798,173)</u>	
			4,447,930
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Net pension liability		(18,928,758)	
Net OPEB liability		(2,984,608)	
Deferred outflows related to the net pension liability		4,231,907	
Deferred outflows related to the net OPEB liability		1,484,832	
Deferred inflows related to the net pension liability		(825,912)	
Deferred inflows related to the net OPEB liability		<u>(2,243,933)</u>	
			<u>(19,266,472)</u>
Total Net Position - Governmental Activities		\$	<u><u>(8,556,117)</u></u>

Bronson Community Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues:			
Local sources	\$ 1,278,520	\$ 510,027	\$ 1,788,547
State sources	9,106,525	63,239	9,169,764
Federal sources	1,052,512	733,840	1,786,352
Investment earnings	5,305	4,011	9,316
Interdistrict and other	99,262	-	99,262
Total revenues	<u>11,542,124</u>	<u>1,311,117</u>	<u>12,853,241</u>
Expenditures:			
Instruction	6,666,505	-	6,666,505
Support services	3,836,584	-	3,836,584
Food service activities	-	588,137	588,137
Student activities	-	22,173	22,173
Community services	31,707	-	31,707
Capital outlay	76,352	51,072	127,424
Total expenditures	<u>10,611,148</u>	<u>661,382</u>	<u>11,272,530</u>
Revenues Over (Under) Expenditures	<u>930,976</u>	<u>649,735</u>	<u>1,580,711</u>
Other Financing Sources (Uses):			
Transfers in	14,707	-	14,707
Transfers out	-	(14,707)	(14,707)
Total other financing sources (uses)	<u>14,707</u>	<u>(14,707)</u>	<u>-</u>
Net Changes in Fund Balances	945,683	635,028	1,580,711
Fund Balances - Beginning of Year	<u>3,428,825</u>	<u>1,252,889</u>	<u>4,681,714</u>
Fund Balances - End of Year	<u><u>\$ 4,374,508</u></u>	<u><u>\$ 1,887,917</u></u>	<u><u>\$ 6,262,425</u></u>

Bronson Community Schools

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,580,711
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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.

Depreciation expense	\$ (301,109)	
Capital outlay, net of disposals	<u>210,270</u>	(90,839)

Governmental funds report the required pension/OPEB contributions for the
current fiscal year as an expenditure. The Statement of
Activities reports the fully accrued pension/OPEB expense based upon a
September year-end to coincide with the State of Michigan's fiscal
year.

Changes in pension related liabilities and deferrals	(1,291,310)	
Changes in OPEB related liabilities and deferrals	<u>471,666</u>	<u>(819,644)</u>

Change in Net Position of Governmental Activities	<u>\$ 670,228</u>
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Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide and Fund Financial Statements

District-Wide Financial Statements – The district-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 primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District’s government-wide activities are considered governmental activities. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position presents all governmental activities on a consolidated basis. The Statement of Net Position reports all assets and liabilities including those of a long-term nature. The net difference is reported as net position. Net position is categorized as net investment in capital assets, restricted net position, and unrestricted net position. It is the District’s policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue. 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, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide and Fund Financial Statements (Continued)

Fund-Based Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, when applicable. Major individual governmental funds are reported as separate columns in the fund financial statements with nonmajor governmental funds aggregated into a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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, severance pay, claims, and judgments, are recorded only when payment is due.

Property taxes, unrestricted State Aid, intergovernmental grants, and interest associated with the current fiscal period, are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure reimbursing grants are recognized when the qualifying expenditures have been incurred, eligibility requirements have been met, and receipt of monies is expected within the current availability period (60 days post year-end). All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental fund:

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

Additionally, the District reports the following fund types:

Special Revenue Funds – Special revenue funds account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food services and student/school activities in special revenue funds.

Capital Project Funds – This type of fund is used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The District maintains two capital project funds, Sinking Fund and Sinking Fund 2, which have restricted property taxes as the primary source of revenue. For the Sinking Funds, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity

State Revenue – The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2021, the foundation allowance was based on blended pupil membership counts.

The State portion of the foundation is provided primarily by a State education property tax millage of six mills on Principal Residence Exemption (PRE) property and an allocated portion of State sales and other taxes. The local portion of the foundation is funded mainly by non-PRE property (non-homestead) taxes which may be levied at a rate of up to 18 mills plus 6 mills on Commercial Personal Property. The State revenue is recognized during the foundation period and is funded through payments from October to August of each year. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The District also receives revenue from the State to administer categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical 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, are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

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

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

General Fund – Non-principal residence exemption (PRE)	17.7264
General Fund – Commercial personal property	5.7264
Sinking Funds – All taxable values	1.9956

Tax abatements provided to property tax payers, if any, were not significant, and thus no disclosure was deemed required in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Cash and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB professional standards. 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 District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds, securities, and other 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, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, contained in the Michigan Compiled Laws. The District is also authorized to invest 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, U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

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

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Site improvements	20 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-20 years

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Compensated Absences - The District does not report a liability for compensated absences. Sick leave can be accumulated up to 120 days and any accumulations are paid out in October of the following fiscal year for current employees. The amount has been estimated and deemed immaterial and thus management determined it was not necessary to record the liability. Any accumulation of sick pay at retirement or termination is forfeited. Vacation leave cannot be carried over from year to year, and any unused leave at year-end is forfeited.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are reported as a deferred inflow or outflow, separate from liabilities, and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Debt issued, as well as premiums received on debt issuances, is reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently reports deferred outflows of resources related to the net pension liability and the net OPEB liability. The District also reports deferred outflows of resources for pension and OPEB contributions made subsequent to the plan measurement date which will be recognized in the following year.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflows of resources related to its net pension liability and net OPEB liability. These future resources will be amortized and recognized over a time period established by the actuary and relate to differences between actuarial estimates and actual results.

Defined Benefit Pension Plan – 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 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. Related investments are reported at fair value. See Note 7 for detailed information.

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 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. Related investments are reported at fair value. See Note 7 for detailed information.

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Fund Balance – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision making authority (the School Board) through adoption of a resolution and may only be removed by the School Board through a rescindment resolution; *assigned* amounts that have an intended purpose but require no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

Use of Estimates – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and 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.

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund and special revenue funds. Annual appropriations lapse at fiscal year-end. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (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 budgeted estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated at the function level per State law. Violations, if any, for the General Fund are noted in the required supplementary information section.
4. Transfers of budgeted amounts are allowed between 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 and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2021.

Bronson Community Schools
Notes to Financial Statements

Note 3 – Cash and Investments

At year-end, the School District's cash and investments were reported in the basic financial statements - governmental activities.

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

Deposits (checking and savings accounts, certificates of deposits)	\$ 3,751,081
Investments in MILAF pooled investment fund	2,040,604
Petty cash and cash on hand	200
Total	<u>\$ 5,791,885</u>

The District's Michigan CLASS investments under the interlocal agreement (MILAF) in the amount of \$2,040,604 are regulated by the Urban Cooperation Act. These funds are considered external investment pools as defined by GASB and as such are recorded at amortized cost which approximates fair value. The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper, collateralized bank deposits, repurchase agreements, and approved money market funds. The program is designed to meet the needs of Michigan public sector investors.

There are no limitations or restrictions on participant withdrawals for investment pools that are recorded at amortized cost, except for a one-day minimum investment period on MILAF cash management funds and a fourteen-day redemption limitation on MILAF MAX Class funds.

Investment and Deposit Risk – The District's cash and investments are subject to several types of risk, as noted below.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District requires that financial institutions be evaluated and only those with an acceptable risk level are used for the District's deposits for custodial credit risk. At year-end, the District's deposit balance of \$3,750,000 included \$3,500,000 that was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments – Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk. The MILAF pool is rated at AAAM according to Standard and Poor's.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's investment policy does not restrict investment maturities beyond State law.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. See Note 1 for a full description of allowed investments. The District's investment policy does not further limit its investment choices.

Concentration of Credit Risk – The District's investment policy does not limit investments with individual issuers.

Foreign Currency Risk – The District does not invest in foreign currency and does not maintain a policy regarding foreign currency risk.

Bronson Community Schools
Notes to Financial Statements

Note 4 – Receivables

Receivables at June 30, 2021 consist of amounts due from other governmental units, primarily the Michigan Department of Education, plus other miscellaneous receivables. Total receivables are \$1,906,794.

Note 5 – Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated:				
Land	\$ 62,200	\$ -	\$ -	\$ 62,200
Subtotal	<u>62,200</u>	<u>-</u>	<u>-</u>	<u>62,200</u>
Capital assets beings depreciated:				
Buildings and improvements	5,439,455	-	-	5,439,455
Site improvements	1,818,710	124,743	-	1,943,453
Buses and other vehicles	1,113,232	93,379	(69,002)	1,137,609
Furniture and equipment	2,655,106	17,596	(9,316)	2,663,386
Subtotal	<u>11,026,503</u>	<u>235,718</u>	<u>(78,318)</u>	<u>11,183,903</u>
Accumulated depreciation:				
Buildings and improvements	3,404,591	51,352	-	3,455,944
Site improvements	407,572	84,568	-	492,138
Buses and other vehicles	536,749	78,200	(43,554)	571,398
Furniture and equipment	2,201,022	86,989	(9,316)	2,278,693
Subtotal	<u>6,549,934</u>	<u>301,109</u>	<u>(52,870)</u>	<u>6,798,173</u>
Net capital assets being depreciated	<u>4,476,569</u>	<u>(65,391)</u>	<u>(25,448)</u>	<u>4,385,730</u>
Net capital assets	<u>\$ 4,538,769</u>	<u>\$ (65,391)</u>	<u>\$ (25,448)</u>	<u>\$4,447,930</u>

Depreciation for the fiscal year totaled \$301,109. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note 6 – Interfund Activity

The District reports interfund balances between some of its funds, when applicable. Interfund balances result primarily 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. At year end, there were no interfund due to/from balances.

A transfer was made during the year from the Food Service Fund to the General Fund for reimbursement of indirect costs.

Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions

Organization

Pension/OPEB Plan Description – The School District participates in the Michigan Public School Employees' Retirement System ("MPERS" or "the System"), a State-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees, and covers substantially all employees of the School District. There are currently approximately 700 participating employers in the System which meets the definition of a qualified pension trust fund under Section 401(a) of the Internal Revenue Code. In addition, the System maintains a health plan ("OPEB") which provides postemployment healthcare benefits to all eligible retirees as an elective option including health, prescription drug, dental, and vision coverage.

The System was originally created under Public Act 136 of 1945, recodified, and currently operates under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes a governing board and its 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 is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report and are available on the ORS website at www.michigan.gov/orsschools. Information provided in this report includes financial data, actuarial assumptions data, and detailed information about the pension plan and OPEB plan fiduciary net positions.

Pension 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 upon the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's right 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.

Bronson Community Schools
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions
(Continued)**

Organization (Continued)

OPEB 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 OPEB, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute.

Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Pension/OPEB Plan Contributions – Public Act 300 of 1980, as amended, requires contributions from both the participating employers and the active plan members. The School District, as a participating employer, is required to contribute amounts necessary to finance the coverage of pension and OPEB benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees (plan members) during the year, with an additional amount paid in to finance a portion of the unfunded actuarial accrued liability.

Bronson Community Schools
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions
(Continued)**

Organization (Continued)

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

Pension Plan Contributions – The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020:

<u>Benefit Type</u>	<u>Member Rates</u>	<u>Status</u>
Basic (Defined Benefit)	0.0% - 4.0%	Closed
MIP (Defined Benefit)	3.0% - 7.0%	Closed
Pension Plus (Hybrid)	3.0% - 6.4%	Closed
Pension Plus 2 (Hybrid)	6.2%	Open
Defined Contribution	0.0%	Open

Employer contributions range from 13.39% to 19.59% and are determined based on employee elections. The District's required and actual contributions to the plan for the year ended September 30, 2020 were \$1,514,324. The District's required and actual pension contributions include an allocation of \$725,461 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2020.

OPEB Contributions – OPEB employee contribution rates in effect for the fiscal year ended September 30, 2020 range from 0% - 3%. Employer contributions range from 7.57% to 8.09% for the plan year ended September 30, 2020 and are determined based on employee elections. Required contributions to the OPEB plan from the District were \$393,615 for the year ended September 30, 2020. The District's required and actual OPEB contributions include an allocation of \$0 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2020.

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

Proportionate Share of School District's Net Pension Liability - At June 30, 2021, the District reported a liability of \$18,928,758 for its proportionate share of the MPSERS net pension liability which totaled \$34,351,087,793 for non-university employers in the MPSERS Plan year ended September 30, 2020. 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. The District's proportionate share 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 statutorily required pension contributions from all applicable employers during the measurement period. At September 30, 2020, the District's proportionate share was .05510381 percent, an increase of .0008801 percent from its proportion measured as of September 30, 2019.

Bronson Community Schools
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions
(Continued)**

Pension/OPEB Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB (Continued)

Pension Expense - For the year ended June 30, 2021, the School District's pension expense was \$2,815,500, inclusive of payments to fund the MPSERS UAAL stabilization rate.

Proportionate Share of School District's Net OPEB Liability - At June 30, 2021, the District reported a liability of \$2,984,608 for its proportionate share of the MPSERS net OPEB liability which totaled \$5,357,266,979 for non-university employers in the MPSERS Plan year ended September 30, 2020. 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 30, 2019. The District's proportionate share 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 statutorily required OPEB contributions from all applicable employers during the measurement period. At September 30, 2020, the District's proportionate share was .05571140 percent, an increase of .0014955 percent from its proportion measured as of September 30, 2019.

OPEB Expense - For the year ended June 30, 2021, the School District's OPEB benefit was \$67,582.

Deferred Outflows and Deferred Inflows - At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Pension	OPEB	Pension	OPEB
Difference between expected and actual experience	\$ 289,216	\$ -	\$ 40,401	\$ 2,223,812
Changes of assumptions	2,097,489	984,085	-	-
Net difference between projected and actual earnings on pension/OPEB plan investments	79,530	24,910	-	-
Changes in proportion and differences between the School District's contributions and its proportionate share of contributions	202,520	109,723	60,050	20,121
School District contributions subsequent to the measurement date	1,563,152	366,114	725,461	-
Total	<u>\$4,231,907</u>	<u>\$ 1,484,832</u>	<u>\$ 825,912</u>	<u>\$ 2,243,933</u>

\$1,563,152 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

\$366,114 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

Bronson Community Schools

Notes to Financial Statements

Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Pension/OPEB Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB (Continued)

Deferred Outflows and Deferred Inflows (Continued) - Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions and OPEB will be recognized in pension/OPEB expense as follows:

Year Ended June 30	Pension	OPEB
2022	\$ 1,148,747	\$ (314,952)
2023	809,735	(280,269)
2024	455,927	(224,034)
2025	153,895	(171,670)
2026	-	(134,290)

Payables to the Pension/OPEB Plan - The District reported an accrued pension/OPEB plan payable at June 30, 2021 of \$200,780. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2021 but not yet paid. The District is current on all required pension and OPEB plan payments.

Amounts accrued at year end include current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State revenue Section 147c restricted to fund the MPSERS unfunded actuarial accrued liability (UAAL).

Actuarial Assumptions

Actuarial Valuations and 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.

Bronson Community Schools
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions
(Continued)**

Actuarial Assumptions (Continued)

Actuarial Valuations and Assumptions (Continued) - A summary of actuarial assumptions as of the latest actuarial valuation follows:

Valuation date	September 30, 2019
Actuarial cost method	Entry age, normal
Asset valuation method	Fair value
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans	6.80%, net of investment expenses
Pension Plus Plan	6.80%, net of investment expenses
Pension Plus 2 Plan	6.00%, net of investment expenses
OPEB	6.95%, net of investment expenses
Projected salary increases	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	7.00% Year 1 graded to 3.50% Year 15
Cost of living pension adjustments	3.0 % annual non-compounded for MIP members
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Employee Disabled Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions (OPEB) – applies to individuals hired before September 4, 2012:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have 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.

Additional assumption information includes the following:

- 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 determination of the total pension and OPEB liabilities beginning with the September 30, 2017 valuation. The total pension/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.

Bronson Community Schools
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions
(Continued)**

Actuarial Assumptions (Continued)

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years – 4.4892 for pension plan employers and 5.9870 for OPEB plan 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 Rate of Return on Plan Assets – The long-term expected rate of return on pension/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 pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension/OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity pools	25.0%	5.6%
Private equity pools	16.0%	9.3%
International equity pools	15.0%	7.4%
Fixed income pools	10.5%	0.5%
Real estate and infrastructure pools	10.0%	4.9%
Absolute return pools	9.0%	3.2%
Real return/opportunistic pools	12.5%	6.6%
Short-term investment pools	2.0%	(0.1)%
Total	<u>100.0%</u>	

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

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

Discount Rate - Discount rates of 6.80% and 6.95% were used to measure the total pension and OPEB liabilities, respectively (6.0% for the Pension Plus 2 Plan). These discount rates were based on the long-term expected rates of return on pension and OPEB plan investments of 6.80% and 6.95%, respectively (6.0% for the Pension Plus 2 Plan). The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates.

Bronson Community Schools

Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions
(Continued)****Actuarial Assumptions (Continued)**

Discount Rate (Continued) - Based on these assumptions, the pension/OPEB plans' 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/OPEB plan investments was applied to all periods of projected benefits payments to determine the total pension/OPEB liabilities.

Sensitivity 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 a discount rate of 6.80% (6.0% for the Pension Plus 2 Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>5.80% / 5.80% / 5.00%</u>	<u>6.80% / 6.80% / 6.00%</u>	<u>7.80% / 7.80% / 7.00%</u>
<u>\$24,500,066</u>	<u>\$18,928,758</u>	<u>\$14,311,385</u>

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

Sensitivity 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 District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease	Discount Rate	1% Increase
<u>5.95%</u>	<u>6.95%</u>	<u>7.95%</u>
<u>\$3,834,069</u>	<u>\$2,984,608</u>	<u>\$2,269,434</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the School District's proportionate share of the net OPEB liability calculated using the assumed healthcare cost trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$2,242,051</u>	<u>\$2,984,608</u>	<u>\$3,829,176</u>

Bronson Community Schools
Notes to Financial Statements

Note 8 – Tax Deferred Annuity Plan

The District maintains a defined contribution retirement plan established under Section 403(b) of the Internal Revenue Code. This tax deferred annuity plan is for eligible administrative employees and is administered by OMNI. The Board has authority over establishing and amending the plan to meet 403(b) criteria for benefits and contributions. Total employer contributions to the plan for the fiscal year were approximately \$25,000 and employee contributions were approximately \$150,000. There was no related payable outstanding at fiscal year-end.

Note 9 – Federal and State Grants

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 10 – Risk Management

The School District is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District has purchased commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

COVID-19 Risk Considerations – The continuing pandemic, both in the U.S. and globally in regards to the outbreak of the coronavirus (COVID-19), has made evaluation of the future uncertain. Areas that may be affected by the change in daily lives and work include investment values, levels of sales and services, availability of cash, supply chains, etc. As a result, funding to schools from the State and federal governments is subject to risk and potential change. Because of the uncertainty of the full impact, no amounts can be estimated and have not been reflected in these financial statements.

Note 11 – Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases*, was issued by the Governmental Accounting Standards Board to increase the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities that currently are not reported as such. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model based on the premise that leases are financings of the right to use the underlying asset. The Statement also addresses standards for note disclosures to include information regarding the timing, significance, and purpose of a government's leasing arrangements. Statement No. 87 will be effective for the District's fiscal year ending June 30, 2022.

Required Supplementary Information

Bronson Community Schools
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Local sources	\$ 1,258,400	\$ 1,279,476	\$ 1,278,520
State sources	9,199,563	9,082,803	9,106,525
Federal sources	1,252,878	1,057,240	1,052,512
Investment earnings	20,000	5,200	5,305
Interdistrict and other	78,784	98,089	99,262
Total revenues	<u>11,809,625</u>	<u>11,522,808</u>	<u>11,542,124</u>
Expenditures:			
Instruction:			
Basic programs	6,069,512	5,968,830	5,937,141
Added needs	978,252	746,959	729,364
Support services:			
Pupil	388,113	387,251	384,375
Instructional staff	259,233	168,857	167,070
General administration	323,496	306,442	302,452
School administration	719,619	719,173	715,474
Business	201,276	195,674	193,464
Operation & maintenance	892,413	890,178	875,794
Pupil transportation	631,079	637,060	622,463
Central services	232,661	231,126	230,897
Athletic activities	420,679	344,939	344,595
Community services:			
Non-public school pupils	34,786	31,707	31,707
Capital outlay	125,000	76,352	76,352
Total expenditures	<u>11,276,119</u>	<u>10,704,548</u>	<u>10,611,148</u>
Revenues Over (Under) Expenditures	<u>533,506</u>	<u>818,260</u>	<u>930,976</u>
Other Financing Sources (Uses):			
Transfers in	-	10,000	14,707
Total other financing sources (uses)	<u>-</u>	<u>10,000</u>	<u>14,707</u>
Net Changes in Fund Balances	<u>533,506</u>	<u>828,260</u>	<u>945,683</u>
Fund Balances - Beginning of Year	<u>3,428,825</u>	<u>3,428,825</u>	<u>3,428,825</u>
Fund Balances - End of Year	<u><u>\$ 3,962,331</u></u>	<u><u>\$ 4,257,085</u></u>	<u><u>\$ 4,374,508</u></u>

Bronson Community Schools
Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan
Last Seven Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (%)	<u>0.05510381%</u>	<u>0.05422371%</u>	<u>0.05443025%</u>	<u>0.05456469%</u>	<u>0.05408528%</u>	<u>0.05417417%</u>	<u>0.05495000%</u>
District's proportionate share of the net pension liability	<u>\$ 18,928,758</u>	<u>\$ 17,957,070</u>	<u>\$ 16,362,716</u>	<u>\$ 14,140,031</u>	<u>\$ 13,493,835</u>	<u>\$ 13,232,056</u>	<u>\$ 12,102,808</u>
District's covered payroll	<u>\$ 4,943,783</u>	<u>\$ 4,740,372</u>	<u>\$ 4,616,997</u>	<u>\$ 4,595,991</u>	<u>\$ 4,600,819</u>	<u>\$ 4,550,305</u>	<u>\$ 4,699,769</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>382.88%</u>	<u>378.81%</u>	<u>354.40%</u>	<u>307.66%</u>	<u>293.29%</u>	<u>290.79%</u>	<u>257.52%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>59.72%</u>	<u>60.31%</u>	<u>62.36%</u>	<u>64.21%</u>	<u>63.27%</u>	<u>63.17%</u>	<u>66.20%</u>

Bronson Community Schools
Schedule of the District's Pension Contributions to the MPSERS Plan
Last Seven Fiscal Years (Amounts Determined Each Year as of June 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 1,514,324	\$ 1,440,474	\$ 1,437,610	\$ 1,374,117	\$ 1,275,439	\$ 1,223,349	\$ 1,004,493
Pension contributions in relation to statutorily required contributions:	<u>\$ 1,514,324</u>	<u>\$ 1,440,474</u>	<u>\$ 1,437,610</u>	<u>\$ 1,374,117</u>	<u>\$ 1,275,439</u>	<u>\$ 1,223,349</u>	<u>\$ 1,004,493</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 4,917,590</u>	<u>\$ 4,922,721</u>	<u>\$ 4,715,039</u>	<u>\$ 4,592,287</u>	<u>\$ 4,624,441</u>	<u>\$ 4,441,016</u>	<u>\$ 4,585,498</u>
Pension contributions as a percentage of covered payroll	<u>30.79%</u>	<u>29.26%</u>	<u>30.49%</u>	<u>29.92%</u>	<u>27.58%</u>	<u>27.55%</u>	<u>21.91%</u>

Bronson Community Schools
Schedule of the District's Proportionate Share of the Net OPEB Liability of the MPSERS Plan
Last Four Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (%)	<u>0.05571140%</u>	<u>0.05421590%</u>	<u>0.05424116%</u>	<u>0.05459078%</u>
District's proportionate share of the net OPEB liability	<u>\$ 2,984,608</u>	<u>\$ 3,891,481</u>	<u>\$ 4,311,604</u>	<u>\$ 4,834,271</u>
District's covered payroll	<u>\$ 4,943,783</u>	<u>\$ 4,740,372</u>	<u>\$ 4,616,997</u>	<u>\$ 4,595,991</u>
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>60.37%</u>	<u>82.09%</u>	<u>93.39%</u>	<u>105.18%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>59.44%</u>	<u>48.46%</u>	<u>42.95%</u>	<u>36.39%</u>

Bronson Community Schools
Schedule of the District's OPEB Contributions to the MPSERS Plan
Last Four Fiscal Years (Amounts Determined Each Year as of June 30)

	2021	2020	2019	2018
Statutorily required OPEB contributions	\$ 393,615	\$ 372,251	\$ 373,414	\$ 376,678
OPEB contributions in relation to the statutorily required contributions	393,615	372,251	373,414	376,678
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll (OPEB)	\$ 4,917,590	\$ 4,922,721	\$ 4,715,039	\$ 4,592,287
OPEB contributions as a percentage of covered payroll	8.00%	7.56%	7.92%	8.20%

Bronson Community Schools

Notes to Required Supplementary Information Pension and OPEB Schedules
Year Ended June 30, 2021

Changes of Benefit Terms: There were no changes of benefit terms in fiscal year 2020.

Changes of Assumptions: For the State's fiscal year ended September 30, 2020:

The investment rate of return for Pension Plus 2 Plans changed from 6.80% to 6.00%, net of investment expenses.

The healthcare cost trend rate was 7.50% Year 1 graded to 3.50% Year 12. This changed to 7.00% Year 1 graded to 3.50% Year 15.

The recognition period for liabilities, an average of the expected remaining service lives of all employees, changed to 4.4892 from 4.4977 for pension plan employers and to 5.9870 from 5.7101 for OPEB plan employers.

Other Supplementary Information

Bronson Community Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Food Service Fund	Student Activities Fund	Sinking Fund	Sinking Fund 2	Total Nonmajor Governmental Funds
<u>Assets</u>					
Cash and investments	\$ 404,917	\$ 94,898	\$ 385,684	\$ 937,977	\$ 1,823,476
Due from other governments	56,191	-	-	-	56,191
Inventories	6,837	-	-	-	6,837
Prepaid expenditures	40,000	-	-	-	40,000
Total assets	<u>\$ 507,945</u>	<u>\$ 94,898</u>	<u>\$ 385,684</u>	<u>\$ 937,977</u>	<u>\$ 1,926,504</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 30,131	\$ -	\$ -	\$ -	\$ 30,131
Unearned revenue	7,114	-	-	-	7,114
Salaries payable	1,342	-	-	-	1,342
Total liabilities	<u>38,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,587</u>
Fund Balances:					
Nonspendable:					
Inventories	6,837	-	-	-	6,837
Prepaid expenditures	40,000	-	-	-	40,000
Restricted:					
Food services	422,521	-	-	-	422,521
Student activities	-	94,898	-	-	94,898
Capital projects	-	-	385,684	937,977	1,323,661
Total fund balances	<u>469,358</u>	<u>94,898</u>	<u>385,684</u>	<u>937,977</u>	<u>1,887,917</u>
Total liabilities and fund balances	<u>\$ 507,945</u>	<u>\$ 94,898</u>	<u>\$ 385,684</u>	<u>\$ 937,977</u>	<u>\$ 1,926,504</u>

Bronson Community Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021

	Food Service Fund	Student Activities Fund	Sinking Fund	Sinking Fund 2	Total Nonmajor Governmental Funds
Revenues:					
Local sources	\$ 20,346	\$ 22,303	\$ -	\$ 467,378	\$ 510,027
State sources	45,751	-	-	17,488	63,239
Federal sources	733,840	-	-	-	733,840
Investment earnings	-	313	1,492	2,206	4,011
Total revenues	<u>799,937</u>	<u>22,616</u>	<u>1,492</u>	<u>487,072</u>	<u>1,311,117</u>
Expenditures:					
Food service activities	588,137	-	-	-	588,137
Student activities	-	22,173	-	-	22,173
Capital outlay	-	-	50,386	686	51,072
Total expenditures	<u>588,137</u>	<u>22,173</u>	<u>50,386</u>	<u>686</u>	<u>661,382</u>
Revenues Over (Under) Expenditures	<u>211,800</u>	<u>443</u>	<u>(48,894)</u>	<u>486,386</u>	<u>649,735</u>
Other Financing Sources (Uses):					
Transfers out	(14,707)	-	-	-	(14,707)
Total other financing sources (uses)	<u>(14,707)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,707)</u>
Net Changes in Fund Balances	197,093	443	(48,894)	486,386	635,028
Fund Balances - Beginning of Year	<u>272,265</u>	<u>94,455</u>	<u>434,578</u>	<u>451,591</u>	<u>1,252,889</u>
Fund Balances - End of Year	<u>\$ 469,358</u>	<u>\$ 94,898</u>	<u>\$ 385,684</u>	<u>\$ 937,977</u>	<u>\$ 1,887,917</u>

Bronson Community Schools

Single Audit Report

Year Ended June 30, 2021

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WILLIS & JURASEK

CPAs AND CONSULTANTS

**Independent Auditors' 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***

Board of Education
Bronson Community Schools
Bronson, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Bronson Community Schools' basic financial statements, and have issued our report thereon dated September 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bronson Community Schools' internal control over financial reporting (internal control) as a basis for designing 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 Bronson Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Bronson Community Schools' internal control.

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

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

Board of Education
Bronson Community Schools
Bronson, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bronson Community Schools' 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 financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 9, 2021



WILLIS & JURASEK
CPAs AND CONSULTANTS

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education
Bronson Community Schools
Bronson, Michigan

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Bronson Community Schools' basic financial statements. We issued our report thereon dated September 9, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements.

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

Board of Education
Bronson Community Schools
Bronson, Michigan

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

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 9, 2021

Bronson Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor Pass Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Pass-Through Grantor's Number	Award/Grant Entitlement Program Amount	Accrued (Deferred) Revenue 7/1/2020	Prior Year Expenditures	Adjustments Prior Years	Current Year Cash Payment Received	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2021
<u>U.S. Department of Agriculture</u>									
Child Nutrition Cluster									
Passed through MI Department of Education:									
National School Lunch Program									
Non-cash Assistance (Commodities)									
National School Lunch Program - Regular	10.555		\$ 41,045	\$ -	\$ -	\$ -	\$ 41,045	\$ 41,045	\$ -
National School Lunch Program - Bonus			472	-	-	-	472	472	-
Total non-cash assistance			41,517	-	-	-	41,517	41,517	-
Cash Assistance									
COVID-19 National School Lunch Program	10.555	200902	115,634	39,204	154,838	-	39,204	-	-
			115,634	39,204	154,838	-	39,204	-	-
Total National School Lunch Program			157,151	39,204	154,838	-	80,721	41,517	-
COVID-19 Summer Food Service Program	10.559	200900	86,077	-	-	-	86,077	86,077	-
		210904	554,059	-	-	-	554,059	606,247	52,188
			640,136	-	-	-	640,136	692,324	52,188
Total Cash Assistance			755,770	39,204	154,838	-	679,340	692,324	52,188
Total Child Nutrition Cluster			797,287	39,204	154,838	-	720,857	733,841	52,188
Total United States Department of Agriculture			797,287	39,204	154,838	-	720,857	733,841	52,188
<u>U.S. Department of Education</u>									
Passed through Michigan Department of Education:									
Title I Grants to Local Educational Agencies									
	84.010	201530-1920	324,481	63,688	307,982	506	63,182	-	-
		211530-2021	325,248	-	-	-	201,473	288,657	87,184
			649,729	63,688	307,982	506	264,655	288,657	87,184
Rural Education Achievement Program	84.358	210660	19,443	-	-	-	-	19,344	19,344
			19,443	-	-	-	-	19,344	19,344
Supporting Effective Instruction State Grants	84.367	200520-1920	92,160	7,083	65,972	10	7,073	-	-
		210520-2021	78,902	-	-	-	16,619	17,372	753
			171,062	7,083	65,972	10	23,692	17,372	753

Bronson Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor Pass Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Pass-Through Grantor's Number	Award/Grant Entitlement Program Amount	Accrued (Deferred) Revenue 7/1/2020	Prior Year Expenditures	Adjustments Prior Years	Current Year Cash Payment Received	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2021
<u>U.S. Department of Education (Continued)</u>									
Passed through Michigan Department of Education (Continued):									
Student Support and Academic Enrichment	84.424	210750-2021	35,615	-	-	-	1,090	31,214	30,124
			35,615	-	-	-	1,090	31,214	30,124
Education Stabilization Fund									
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201200	72,845				45,502	57,131	11,629
COVID-19 Governor's Emergency Education Relief Fund (ESSER I)	84.425D	203710	254,459				199,887	199,887	-
COVID-19 Governor's Emergency Education Relief Fund (ESSER II)	84.425D	203720	45,802	-	-	-	18,063	45,802	27,739
			373,106	-	-	-	263,452	302,820	39,368
Total passed through Michigan Department of Education			1,248,955	70,771	373,954	516	552,889	659,407	176,773
Passed through Three Rivers Community Schools:									
English Language Acquisition State Grants	84.365	2020-2021	7,339	-	-	-	7,339	7,339	-
Total United States Department of Education			1,256,294	70,771	373,954	516	560,228	666,746	176,773
<u>U.S. Department of Treasury</u>									
Passed through Michigan Department of Education:									
COVID-19 Coronavirus Relief Funds	21.019	11(p)	370,013	-	-	-	370,013	333,291	(36,722)
		103(2)	13,024	-	-	-	13,024	13,024	-
Total passed through Michigan Department of Education			383,037	-	-	-	383,037	346,315	(36,722)
Passed through MAISA/Copper County ISD:									
COVID-19 Coronavirus Relief Funds - MiConnect Connectivity Funding	21.019		39,966	-	-	-	39,966	39,966	-
Total CFDA 21.019			423,003	-	-	-	423,003	386,281	(36,722)
Total United States Department of Treasury			423,003	-	-	-	423,003	386,281	(36,722)
			\$ 2,476,584	\$ 109,975	\$ 528,792	\$ 516	\$ 1,704,088	\$ 1,786,868	\$ 192,239

Bronson Community Schools
Schedule of Reconciliation of Revenues with
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

	<u>Amount</u>
Revenue from federal sources - per financial statements (includes all funds)	\$ 1,786,352
Adjustment to prior year Title expense estimates	<u>516</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 1,786,868</u>

Bronson Community Schools
Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenue is recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports with any reconciling items noted on page 8. The amounts on the Grant Auditor Report reconcile with this schedule. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities and the expenditures include any spoilage or pilferage.

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by Section 200.414 of the Uniform Guidance.

Note 3 – Subrecipients

No federal awards were passed through the District to any subrecipients during the year.

Bronson Community Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
Material weakness identified _____ yes X no
Significant deficiencies identified that are not
considered to be material weaknesses _____ yes X none reported
Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:
Material weakness identified _____ yes X no
Significant deficiencies identified that are not
considered to be material weaknesses _____ yes X none reported

Type of auditors' report issued on compliance
for major programs: Unmodified
Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a) _____ yes X no

Identification of major programs:

CFDA Number
21.019

Name of Federal Program
Coronavirus Relief Funds

Dollar threshold used to distinguish between
Type A and Type B programs: \$ 750,000
Auditee qualified as low-risk X yes _____ no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Bronson Community Schools
Comments on Resolution of Findings from June 30, 2020
Single Audit Report

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

2020-001 – Internal Control over Compliance

Criteria or Specific Requirement: Management is responsible for having controls in place over compliance to ensure the District complies with grant requirements.

Condition: During the testing of the District's Title Programs (CFDAs 84.010, 84.367, and 84.358), we noted a lack of control over the cash reimbursement requests as required by the District's federal policies. The business manager prepares and submits the reimbursement requests without a review.

Cause: Appropriate documentation was maintained for each reimbursement request but the information was not provided to a second individual for approval.

Effect: Lack of control over this area could result in a potential noncompliance with grant requirements.

Status: This has been corrected during the 20/21 fiscal year.



WILLIS & JURASEK

CPAS AND CONSULTANTS

September 9, 2021

To the Board of Education
Bronson Community Schools
Bronson, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bronson Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the 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 government-wide financial statements were:

Management has estimated the value of capitalized assets and the related accumulated depreciation. The bulk of the capitalized costs is based upon an asset appraisal done in a prior year. Related depreciation is based upon estimated usage using estimated lives and methods to formulate net book value. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements contain estimates for the net pension liability and the net OPEB liability and related deferred inflows and deferred outflows of resources. This information has been provided by ORS to all school districts participating in the MPERS pension system. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements of any significance. 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 auditors' 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 as per the auditors' report.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as 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 the Management's Discussion and Analysis, Budgetary Comparison Schedule, and schedules related to the net pension liability and the net OPEB liability, and the related notes 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.

Restriction on Use

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

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.