BURT TOWNSHIP SCHOOL DISTRICT #2
GRAND MARAIS, MICHIGAN

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

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COMPLIANCE SECTION

COMMUNICATIONS SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Burt Township School District #2
P.O. Box 338
Grand Marais, Michigan 49839

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Burt Township School District #2 (the School District), as of and for the year ended June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Other Supplemental Information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 25, 2022

Burt Township School District #2

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Burt Township School District #2 (the School District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2022. Please read it in conjunction with the financial statements as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for the School District as a whole was reported at $1,119,677. Net position comprised of 100% governmental activities.
- During the year, the School District expenses were $1,231,186, while revenues from all sources totaled $1,689,542, resulting in an increase in net position of $458,356.
- The General Fund reported an increase of $457,699 before other financing sources (uses) and a total increase of $3,344. This is $18,783 more than the forecasted decrease of $15,439. This was a result of revenues being $29,085 lower than forecasted; expenses being $45,291 lower than forecasted; and other financing uses being $2,577 lower than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand The School District financially as a whole. The *District-wide Financial Statements* Statement of Net Position and the Statement of Activities provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant fund, as listed in the footnotes, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the School District as a whole begins below. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in them. The School District's net position, the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources, is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other nonfinancial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on the pages below. The fund financial statements begin as listed in the table of contents and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds – *governmental* and *proprietary* – use the following accounting methods.

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

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the School District's net position as of June 30, 2022 and 2021:

Table 1
Net Position

		Governmental Activities – 2022	Governmental Activities – 2021
Current and other assets		$1,098,582	$678,940
Capital assets, net		2,928,277	2,941,626
	Total Assets	4,026,859	3,620,566
Deferred outflows of resources		332,819	475,087

Table 1
Net Position (Continued)

	Governmental Activities – 2022	Governmental Activities – 2021
Current liabilities	$255,530	$148,997
Long-term liabilities	2,235,814	2,907,807
Total Liabilities	2,491,344	3,056,804
Deferred inflows of resources	748,657	377,528
Net Position:		
Net investment in capital assets	1,828,277	1,801,626
Restricted	121,851	51,819
Unrestricted	(830,451)	(1,192,124)
Total Net Position	$1,119,677	$661,321

The School District's net position was $1,119,677 as of June 30, 2022. Net investment in capital assets totaling $1,828,277 compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining net position of ($830,451) was unrestricted.

The ($830,451) unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2022 and 2021.

Table 2
Statement of Activities

	Governmental Activities – 2022	Governmental Activities – 2021
Revenues:		
Program Revenues:		
Charges for services	$336	$714
Operating grants and contributions	246,970	188,388
Capital grants and contributions	-	-
General Revenues:		
Property taxes	766,581	763,396
State sources not restricted to specific program	660,521	246,931
Investment earnings	1,179	1,686
Miscellaneous	13,955	21,345
Total Revenues	1,689,542	1,222,460

Table 2
Statement of Activities (Continued)

	Governmental Activities – 2022	Governmental Activities – 2021
Program Expenses:		
Instruction	$514,803	$520,815
Supporting services	464,676	361,547
Community services	-	-
Food service activities	108,751	93,277
Facilities acquisition	-	-
School activities	15,850	10,608
Other	1,508	4,328
Depreciation – unallocated	48,498	38,806
Interest on retirement of debt	77,100	78,300
Total Expenses	1,231,186	1,107,681
Increase (decrease) in net position	458,356	114,779
Net position, beginning	661,321	546,542
Net Position, Ending	$1,119,677	$661,321

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $1,231,186. Certain activities were partially funded from those who benefited from the programs, $336, or by other governments and organizations that subsidized certain programs with grants and categoricals, $246,970. We paid for the remaining "public benefit" portion of our governmental activities with $766,581 in taxes, $660,521 in State Aid, and with $15,134 of our other revenues, such as interest and general entitlements.

The School District experienced a change in net position for the year of $458,356.

Key reasons for the change in net position were as follows:

- Net change in governmental fund balances of $313,109.
- Depreciation charged to expense of ($88,498).
- Capital outlay in the amount of $75,149.
- Repayment of principal on long-term bonds of $40,000
- Activity related to net pension liability and net OPEB liability of $118,596.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$514,803	$380,802
Supporting services	464,676	404,979
Food service activities	108,751	66,749

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 financial resources.

School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds as presented in the table of contents reported a combined fund balance of $843,052, an increase of $313,109 from the beginning of the year. The majority of this increase relates to the General & Capital Projects Funds. The General Fund balance increased by $457,699 before transferring $390,000 into the Capital Projects Fund after $1,098,075 of expenditures, while Non-Major Governmental Funds reported a net decrease in fund balance of $5,086.

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

BUDGETED REVENUES:

General Fund Revenues changed from Original to Final Budget during the year as follows:

	Original Budget	Final Budget	Increase (Decrease) Amount	Increase (Decrease) Percent
Total	$995,229	$1,584,859	$589,630	59.25%

The School District's final budgeted revenues differed from the original budget as follows:

- By $589,630 or 59.25% more than the original budget.

The significant increase in the budgeted revenues can be attributed mainly to State Aid. Burt was awarded a much larger portion (an additional $446,606) of the 22d Isolated School District Funds in 2021-22. It was determined that Burt would receive this larger allocation for a period of 2 years. Other contributing factors were grants. Grants are recognized on the School District's financial statements once the School District receives formal notice of the award and approval from the State. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget.

BUDGETED EXPENDITURES:

General Fund Expenditures changed from the Original to Final budget during the year as follows:

	Original Budget	Final Budget	Increase (Decrease) Amount	Increase (Decrease) Percent
Total	$1,041,145	$1,143,366	$102,221	9.82%

The School District's final budgeted expenditures differed from the original budget as follows:

- By $102,221 or 9.82% more than the original budget.

The significant increase in the budgeted expenditures can be attributed mainly to grants. Grants are recognized on the School District's financial statements once the School District receives formal notice of award and approval from the State. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant revenues that will be utilized in the next fiscal year. The School District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year.

ACTUAL REVENUES:

The General Fund Actual Revenues differed from the Final Budget as follows:

	Final Budget	Actual	Budget Variance Positive (Negative) Amount	Budget Variance Positive (Negative) Percent
Total	$1,584,859	$1,555,774	($29,085)	(1.84%)

The School District's final budgeted revenues differed from the actual revenues as follows:

- By $29,085 or 1.84% less than the final budget.

The decrease can be attributed mainly to grants. While the whole grant award is budgeted some grants were not fully spent and carried over to the next fiscal year.

ACTUAL EXPENDITURES:

General Fund Actual Expenditures differed from the Final budget as follows:

	Final Budget	Actual	Budget Variance Positive (Negative) Amount	Budget Variance Positive (Negative) Percent
Total	$1,143,366	$1,098,075	$45,291	3.96%

The School District's final budgeted expenditures differed from the actual expenditures as follows:

- By $45,291 or 3.96% less than the final budget.

The decrease can be attributed mainly to grants. While the whole grant award is budget, some grants were not fully spent and carried over to the next fiscal year. Another contributing factor is that budgets are conservative in nature. Thus, expenditures are budgeted for more than anticipated to provide for potential unforeseen costs and to ensure no overspending occurs.

Enrollment

The School District's 2021-2022 State aid blended membership enrollment from the fall count totaled 29. Enrollment changes over the last five years can be illustrated as follows:

Fiscal Year	(Fall) Student FTE	Increase (Decrease) in Student Enrollment (FTE)
2021-2022	29	-
2020-2021	29	(1)
2019-2020	30	(3)
2018-2019	33	4
2017-2018	29	3

State funding for the School District is based on a per pupil formula; however, due to the amount of property taxes collected, the School District is considered to be out-of-formula and fluctuations in enrollment have less of an impact on the School Districts financial health.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022 and 2021, the School District had $2,928,277 and $2,941,626, respectively, invested in a variety of capital assets including land, buildings, and buses. (See Table 4 below).

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities – 2022	Governmental Activities – 2021
Land	$1,599,600	$1,599,600
Construction in progress	-	-
Land improvements	1,344	1,643
Buildings	-	-
Building improvements	1,245,244	1,244,346
Equipment	82,089	96,037
Total	$2,928,277	$2,941,626

During the fiscal year, the School District completed a drywell project at the school building. There were no disposals in the current year. We present more information regarding capital assets in the notes to the financial statements.

Debt
At June 30, 2022, the School District had $1,100,000 in outstanding debt as depicted in Table 5 below.

Table 5
Outstanding Debt at Year End

	Governmental Activities – 2022	Governmental Activities – 2021
2019 School Building and Site Bonds	$1,100,000	$1,140,000

No new debt was issued in the current year. During the current year the School District made principal payments of $40,000.

We present more detailed information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets
Our elected officials and administration consider many factors when setting the School District's fiscal year 2022-23 budget. One of the most important factors affecting the budget is the collection of local property taxes. Local property taxes account for approximately 45 percent of our revenue in 2022-23.

The collection of revenues by the State can also affect the School District's general operation budget. School districts throughout the state must adjust their budgets if the State per pupil or categorical funding changes during its fiscal year.

Contacting the School District's Financial Management
This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Burt Township School District #2, P.O. Box 338, Grand Marais, Michigan 49839.

Burt Township School District #2

STATEMENT OF NET POSITION

June 30, 2022

		Governmental Activities
ASSETS		
Current Assets:		
Cash and cash equivalents	$	814,628
Receivables:		
Accounts		1,252
Taxes		-
Due from other governmental units		186,846
Inventories		981
Prepaid expenses		94,875
Other current assets		-
Non-current Assets:		
Capital Assets:		
Land and construction in progress		1,599,600
Other capital assets, net		1,328,677
TOTAL ASSETS		4,026,859
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to proportionate share of net pension liability		106,700
District's contributions made subsequent to pension measurement date		118,264
Deferred outflows related to proportionate share of net OPEB liability		78,402
District's contributions made subsequent to OPEB measurement date		29,453
TOTAL DEFERRED OUTFLOWS OF RESOURCES		332,819
LIABILITIES		
Current Liabilities:		
Accounts payable		144,738
Accrued liabilities		74,818
Grants received in advance		22,463
Due to other governmental units		13,511
Non-current Liabilities:		
Portion due or payable within one year		
Bonds payable		40,000
Portion due or payable after one year		
Bonds payable		1,060,000
Proportionate share of net pension liability		1,065,940
Proportionate share of net OPEB liability		69,874
TOTAL LIABILITIES		2,491,344
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to proportionate share of net pension liability		443,900
Deferred inflows related to proportionate share of net OPEB liability		304,757
TOTAL DEFERRED INFLOWS OF RESOURCES		748,657
NET POSITION		
Net investment in capital assets		1,828,277
Restricted		121,851
Unrestricted		(830,451)
TOTAL NET POSITION	$	1,119,677

The accompanying notes are an integral part of these financial statements.

Burt Township School District #2

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

Function / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instruction	$ 514,803	$ -	$ 134,001	$ -	$ (380,802)
Supporting services	464,676	336	59,361	-	(404,979)
Community services	-	-	-	-	-
Food service activities	108,751	-	42,002	-	(66,749)
Facilities acquisition	-	-	-	-	-
School Activities	15,850	-	11,606	-	(4,244)
Other	1,508	-	-	-	(1,508)
Depreciation - unallocated	88,498	-	-	-	(88,498)
Interest on retirement of debt	37,100	-	-	-	(37,100)
TOTAL GOVERNMENTAL ACTIVITIES	$ 1,231,186	$ 336	$ 246,970	$ -	(983,880)

General revenues:	
Taxes	
Property taxes, levied for general purposes	766,581
Federal and State aid not restricted to specific purposes	660,521
Interest and investment earnings	1,179
Miscellaneous	13,955
TOTAL GENERAL REVENUES	1,442,236
CHANGES IN NET POSITION	458,356
Net Position , July 1	661,321
NET POSITION, JUNE 30	$ 1,119,677

The accompanying notes are an integral part of these financial statements.

Burt Township School District #2

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2022

	General Fund	Capital Projects Fund	Non-Major Governmental Fund	Total
ASSETS				
Cash and cash equivalents	$ 196,856	$ 555,771	$ 62,001	$ 814,628
Accounts receivable	1,252	-	-	1,252
Taxes receivable	-	-	-	-
Due from other governmental units	184,462	-	2,384	186,846
Due from other funds	1,625	-	-	1,625
Inventories	-	-	981	981
Prepaid expenses	27,683	67,192	-	94,875
Other current assets	-	-	-	-
TOTAL ASSETS	411,878	622,963	65,366	1,100,207
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 411,878	$ 622,963	$ 65,366	$ 1,100,207
LIABILITIES				
Accounts payable	$ 29,106	$ 115,032	$ 600	$ 144,738
Accrued liabilities	73,660	-	1,158	74,818
Grants received in advance	22,463	-	-	22,463
Due to other funds	-	-	1,625	1,625
Due to other governmental units	13,511	-	-	13,511
TOTAL LIABILITIES	138,740	115,032	3,383	257,155
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Non-spendable	27,683	67,192	981	95,856
Restricted	-	-	25,995	25,995
Committed	-	-	35,007	35,007
Assigned	-	440,739	-	440,739
Unassigned	245,455	-	-	245,455
TOTAL FUND BALANCES	273,138	507,931	61,983	843,052
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 411,878	$ 622,963	$ 65,366	$ 1,100,207

Burt Township School District #2

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2022

Total Fund Balances for Governmental Funds		$ 843,052
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.		
Cost of capital assets	$ 6,279,832	
Accumulated depreciation	(3,351,555)	2,928,277
Proportionate share of net pension liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Deferred outflows related to proportionate share of net pension liability	106,700	
District's contributions made subsequent to pension measurement date	118,264	
Proportionate share of net pension liability	(1,065,940)	
Deferred inflows related to proportionate share of net pension liability	(443,900)	(1,284,876)
Proportionate share of net OPEB liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Deferred outflows related to proportionate share of net OPEB liability	78,402	
District's contributions made subsequent to OPEB measurement date	29,453	
Proportionate share of net OPEB liability	(69,874)	
Deferred inflows related to proportionate share of net OPEB liability	(304,757)	(266,776)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:		
Construction bond - current	(40,000)	
Construction bond - long term	(1,060,000)	(1,100,000)
Net Position of Governmental Activities		$ 1,119,677

Burt Township School District #2

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2022

	General Fund	Capital Projects Fund	Non-Major Governmental Fund	Total
REVENUES:				
Local sources	$ 730,142	$ -	$ 91,765	$ 821,907
State sources	778,954	-	6,627	785,581
Federal sources	46,678	-	35,376	82,054
TOTAL REVENUES	1,555,774	-	133,768	1,689,542
EXPENDITURES:				
Instruction	589,229	-	-	589,229
Supporting services	508,846	75,149	-	583,995
Community services	-	-	-	-
Food service activities	-	-	108,751	108,751
Facilities acquisition	-	-	-	-
School activities	-	-	15,850	15,850
Debt service	-	-	77,100	77,100
Other	-	-	1,508	1,508
TOTAL EXPENDITURES	1,098,075	75,149	203,209	1,376,433
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	457,699	(75,149)	(69,441)	313,109
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	-	-	-
Sale of timber	-	-	-	-
Transfers in	-	390,000	64,355	454,355
Transfers (out)	(454,355)	-	-	(454,355)
TOTAL OTHER FINANCING SOURCES (USES)	(454,355)	390,000	64,355	-
NET CHANGE IN FUND BALANCES	3,344	314,851	(5,086)	313,109
Fund Balance, July 1	269,794	193,080	67,069	529,943
FUND BALANCE, JUNE 30	$ 273,138	$ 507,931	$ 61,983	$ 843,052

The accompanying notes are an integral part of these financial statements.

Burt Township School District #2

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds		$ 313,109
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Depreciation expense	$ (88,498)	
Capital outlay	75,149	(13,349)
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		-
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position		40,000
Change in proportionate share of net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.		
Pension expense	36,766	
OPEB expense	81,830	118,596
Change in Net Position of Governmental Activities		$ 458,356

The accompanying notes are an integral part of these financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Burt Township School District #2 (the School District) conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

REPORTING ENTITY

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units by applying the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the basic financial statements of the School District contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund and the Capital Projects Fund as its major governmental funds in accordance with the above criteria. The funds of the School District are described below:

<u>Governmental Funds</u>

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the Food Service Fund and the School Activities Fund.

Debt Service Funds – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds – Capital Projects Fund is used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (a) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resource resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Cash Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Position are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with maturities of three months or less. The fair value measurement of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset's fair value.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The Food Service Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

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 by the government as assets with an initial individual cost of more than $5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. 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. Depreciation of all exhaustible capital assets is recorded as an unallocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	15 – 20 years
Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports the following in this category:

On the district-wide financial statements, changes in assumptions, differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions for the pension plan and/or OPEB plan create a deferred outflow of resources.

On the district-wide financial statements, the School District's contributions made into the pension plan and/or OPEB plan subsequent to the plan's fiscal year end creates a deferred outflow of resources.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Pension

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

Postemployment Benefits Other Than Pensions

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government reports the following in this category:

> On the district-wide financial statements, the net difference between projected and actual pension plan and/or OPEB plan investment earnings, differences between expected and actual experience, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions create a deferred inflow of resources.

Equity Classification

District-Wide Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.
3. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned. Proprietary fund equity is classified the same as the district-wide statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type) and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general-purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property taxes are levied on July 1, on behalf of the School District by various taxing units and are payable without penalty by September 14. The School District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type) and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Position.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budgets and Budgetary Accounting

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

a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is approved by the Board of Education.

d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally

e. adopted, or as amended by the Board of Education.

f. All annual appropriations lapse at fiscal year-end.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 25, 2022, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Position.

Cash and cash equivalents	$814,628
Investments	-
Total	$814,628

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. State law does not require, and the School District does not have a deposit policy for custodial credit risk. The carrying amounts of the School District's deposits with financial institutions were $814,628 and the bank balance was $818,843. The bank balance is categorized as follows:

Amount insured by the FDIC	$250,000
Amount uncollateralized and uninsured	568,843
Total	$818,843

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2022, the School District does not have investments that require fair value measurements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School District's investments The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the School District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School District has no investment policy that would further limit its investment choices. Ratings are not required for the School District's investment in Treasury Notes. The School District's investments are in accordance with statutory authority.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other government units totaled $186,846. Of that balance $141,792 is due from the State of Michigan for State Aid, $45,054 from grants receivable and $-0- from various other governmental units for the operation of special programs and grant projects.

NOTE D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The School District, reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

NOTE D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS: General Fund	Total Due To Other Funds
General Fund	$-	$-
Food Service Fund	725	725
School Activities Fund	900	900
Total Due From Other Funds	$1,625	$1,625

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

TRANSFERS IN FROM OTHER FUNDS	TRANSFERS OUT TO OTHER FUNDS: General Fund	Capital Projects Fund	Total Transfers In From Other Funds
General Fund	$-	$-	$-
Food Service Fund	64,355	-	64,355
Capital Projects Fund	390,000	-	390,000
Total Transfers Out To Other Funds	$454,355	$-	$454,355

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE E – CAPITAL ASSETS:

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

	Balance 6/30/2021	Additions	Deductions	Balance 6/30/2022
Capital assets not being depreciated:				
Land	$1,599,600	$-	$-	$1,599,600
Construction in progress	-	-	-	-
Subtotal	1,599,600	-	-	1,599,600
Capital assets being depreciated:				
Land improvements	5,976	-	-	5,976
Buildings	3,000,000	-	-	3,000,000
Building improvements	1,485,025	75,149	-	1,560,174
Equipment	114,082	-	-	114,082
Subtotal	4,605,083	75,149	-	4,680,232

NOTE E – CAPITAL ASSETS (Continued):

	Balance 6/30/2021	Additions	Deductions	Balance 6/30/2022
Less accumulated depreciation:				
Land improvements	($4,333)	($299)	$-	($4,632)
Buildings	(3,000,000)	-	-	(3,000,000)
Building improvements	(240,679)	(74,251)	-	(314,930)
Equipment	(18,045)	(13,948)	-	(31,993)
Total Accumulated Depreciation	(3,263,057)	(88,498)	-	(3,351,555)
CAPITAL ASSETS, NET	$2,941,626	($13,349)	$-	$2,928,277

Depreciation expense charged to governmental activities was $88,498.

NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2022 is as follows:

		Governmental Activities
Accrued wages		$55,275
Accrued fringes		19,419
Other		124
	TOTAL	$74,818

NOTE G – LONG-TERM OBLIGATIONS:

A summary of long-term debt, and related transactions for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
2019 School Building & Site Bonds	$1,140,000	$-	($40,000)	$1,100,000	$40,000
TOTAL LONG-TERM DEBT	$1,140,000	$-	($40,000)	$1,100,000	$40,000

Long-term debt at June 30, 2022 consists of the following:

2019 School Building and Site Bonds
June 30, 2022

	November 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2023	$17,950	$17,950	$40,000	$75,900
2024	17,350	17,350	45,000	79,700
2025	16,675	16,675	45,000	78,350
2026	16,000	16,000	50,000	82,000
2027	15,250	15,250	50,000	80,500
2028-2032	64,069	64,069	285,000	413,138
2033-2037	39,934	39,934	325,000	404,868
2038-2041	11,781	11,781	260,000	283,562
Total	$199,009	$199,009	$1,100,000	$1,498,018

NOTE G – LONG-TERM OBLIGATIONS (Continued):

The 2019 School Building and Site Bonds through Peoples State Bank ($1,180,000) dated March 6, 2019 matures on May 1, 2041. The interest rate will vary from 3.000% to 3.625%.

Debt Service Requirements

The annual requirements to pay principal and interest on outstanding debt are as follows:

Fiscal Year	Interest	Principal	Total
2023	$35,900	$40,000	$75,900
2024	34,700	45,000	79,700
2025	33,350	45,000	78,350
2026	32,000	50,000	82,000
2027	30,500	50,000	80,500
2028-2032	128,138	285,000	413,138
2033-2037	79,868	325,000	404,868
2038-2041	23,562	260,000	283,562
Totals	$398,018	$1,100,000	$1,498,018

NOTE H – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of Board of Education. Board of Education is the highest level of decision-making authority for the Board of Education. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Board of Education.

Assigned — amounts intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Superintendent and Finance Committee may request amounts to be assigned, but only the Board of Education may assign amounts for a specific purpose. Residual amounts in governmental funds other than the General Fund are assigned. Also, an appropriation of the existing fund balance to cover current year expenditures is considered an assignment of fund balance.

Unassigned — all other spendable amounts.

As of June 30, 2022, fund balances are composed of the following:

NOTE H – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Governmental Funds
Non-spendable:					
Inventories	$-	$981	$-	$-	$981
Prepaids	27,683	-	-	67,192	94,875
Deposits on hand	-	-	-	-	-
Restricted:					
Debt service	-	-	25,995	-	25,995
Committed:					
School activities	-	35,007	-	-	35,007
Assigned:					
FY22/23 budgeted shortfall	-	-	-	-	-
Construction projects	-	-	-	440,739	440,739
Unassigned	245,455	-	-	-	245,455
Total fund balances	$273,138	$35,988	$25,995	$507,931	$843,052

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget or a board policy. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

NOTE I – PRIVATE PURPOSE TRUST:

Under the criteria of GASB 84 the George Spaulding Library Fund, Dr. J.R. Boland Scholarship Fund, and the James and Robin Henderson Scholarship Fund are reported in the School Activities Fund. The funds are held in trust with stipulations as to their uses; however, due to the School District’s administrative involvement these funds do not meet the criteria of a fiduciary activity under GASB 84.

The George Spaulding Library Fund corpus is to be retained with the income restricted to library use. The Dr. J.R. Boland Scholarship Fund and the James and Robin Henderson Scholarship Fund corpus are to be retained with the income awarded as a scholarship to a worthy student.

NOTE J – ECONOMIC DEPENDENCY:

The School District receives approximately 51 percent of its revenues through State and Federal sources and 49 percent through property tax revenue to be used for providing elementary and secondary education to the students of the School District.

NOTE K – STATE REVENUE:

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenue from state sources is 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, 2022, the foundation allowance was based on the average of pupil membership counts taken in February and October.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2021– August 2022.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE L – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the Food Service Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities utilized. The School District recognized $709 during fiscal year 2022 in revenues and expenditures for USDA commodities.

NOTE M – PROPERTY TAX:

The taxable value of real and personal property located in the School District for the 2021 tax year which represents approximately 50% of the estimated current value, totaled $54,719,704 (consisting of $16,688,257 for Homestead and $37,923,331 for Non-Homestead and $108,116 for Commercial Personal Property). The tax levy for the year was based on a rate of 18.0000 mills on the Non-homestead property (one mill is equal to $1.00 per $1,000 of taxable value) and 6.0000 on the Commercial Personal Property and is remitted to the School District's General Fund by the taxing unit. The tax levy for debt service for the year was based on a rate of 1.3200 mills on all property and is remitted to the School District's Debt Service Fund by the taxing unit.

NOTE N – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District manages these risks by purchasing commercial insurance and/or by participating

NOTE N – CONTINGENT LIABILITIES (Continued):

in public entity risk pools.

The School District pays annual premiums to the risk pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies. The School District is unable to provide an estimate of the amounts of additional assessments, if any, which are required to make the pool self-sustaining; however, they believe any amount would be insignificant. The School District's general liability coverage is $25,000 per occurrence and $1,000,000 in the aggregate.

The School District estimates that the amount of actual or potential claims, if any, against the School District as of June 30, 2022, not covered by insurance are not material to the general-purpose financial statement. Therefore, no provision for estimated claims is recognized.

NOTE O – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Plan Description

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

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

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

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

Benefits Provided

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

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

NOTE O – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

Pension Contribution Rates

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

Required contributions to the pension plan from the School District were $135,187 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of $1,065,940 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District’s proportion was 0.00450231 percent, which was an increase of 0.005799 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense of $98,733. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE O – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$16,512	($6,277)
Changes of assumptions	67,193	-
Net difference between projected and actual earnings on pension plan investments	-	(342,696)
Changes in proportion and differences between the employer contributions and proportionate share of contributions	22,995	(94,927)
Subtotal	106,700	($443,900)
Employer contributions subsequent to the measurement date	118,264	
Total	$224,964	

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Year Ended September 30	Amount
2022	($57,097)
2023	(93,236)
2024	(95,953)
2025	(90,914)
Total	($337,200)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

NOTE O – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Summary of Actuarial Assumptions

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

Notes:

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

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

NOTE O – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
Total	100.0%	

*Long term rates of return are net of administrative expenses and 2.0% inflation

Rate of Return

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

Discount Rate

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

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

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

1% Decrease 5.80% / 6.80% / 5.00%*	Current Single Discount Rate Assumption 6.80% / 6.80% / 6.00%*	1% Increase (Non-Hybrid/Hybrid) 7.80% / 7.80% / 7.00%*
$1,524,006	$1,065,940	$686,174

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

NOTE O – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

Payables to the Michigan Public Schools Employees' Retirement System (MPSERS)

At June 30, 2022, the School District reported a payable of $13,511 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2022.

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS:

Employees of the School District who began working for a Michigan public school July 1, 2010, or later, are members of the Pension Plus plan or Defined Contribution (DC) plan, defined contribution pension plans. Under Public Act 300 of 2012, eligible members of MPSERS had the option to increase, maintain, or stop their contributions to the pension fund as of the transition date. Members of MPSERS who elected to stop their contributions became participants in the DC plan as of their transition date.

Pension Plus Plan

The Pension Plus Plan is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Within the plan employees have three options to choose from: 1) Pension Plus with Premium Subsidy, 2) Pension plus to DC with PHF, and 3) Basic/MIP to DC with Premium Subsidy. The School District's required to contribute ranges 1% to 4% of annual salary for plan members based on the type of plan the employee is participating in. Employees are permitted to make contributions up to applicable Internal Revenue Service Code limits. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits from the Plan in accordance with IRS regulations for 401(k) plans.

Defined Contribution Plan

The Defined Contribution Plan is a defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Employee contributions are 8% of wages with the employer matching contributions dollar for dollar on the first 2% of wages and 50 cents on the dollar on the next 6% of wages. Employee contributions are made into the 457 Plan while employer matching contributions are made in the 401(k) Plan. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

The total amount contributed to the Plan for the year ended June 30, 2022 was $22,463 which consisted of $6,899 from the School District and $15,564 from employees.

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS (Continued):

Personal Healthcare Fund

The Personal Healthcare Fund (PHF) is a personal, portable defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Employee contributions are 2% of wages with the employer matching 2%. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

The total amount contributed to the Plan for the year ended June 30, 2022 was $10,566 which consisted of $5,283 from the School District and $5,283 from employees.

NOTE Q – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

Plan Description

The MPSERS Plan, as previously described in the Defined Benefit Plan footnote, includes an Other Post-Employment Benefits component as part of the cost of the Plan. The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended). All information related to the OPEB component of the Plan is the same except as noted below:

Benefits Provided

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

Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended. Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

NOTE Q – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over An 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the School District were $33,983 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of $69,874 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each employers' statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.00457776 percent, which was an increase of 0.00007667 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized OPEB expense of ($43,155). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE Q – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$-	($199,450)
Changes of assumptions	58,411	(8,740)
Net difference between projected and actual earnings on OPEB plan investments	-	(52,665)
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,991	(43,902)
Subtotal	78,402	($304,757)
Employer contributions subsequent to the measurement date	29,453	
Total	$107,855	

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future OPEB Expenses)

Year Ended September 30	Amount
2022	($56,756)
2023	(55,861)
2024	(54,376)
2025	(44,372)
2026	(13,248)
Thereafter	(1,742)
Total	($226,355)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

NOTE Q – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

Summary of Actuarial Assumptions:

Investment Rate of Return:	6.95% net of investment expenses
Healthcare Cost Trend Rate:	
Pre-65:	7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Post-65:	5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312

Rate of Return

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

Discount Rate

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

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

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

NOTE Q – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
$129,838	$69,874	$18,986

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$17,007	$69,874	$129,356

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

NOTE R – SINGLE AUDIT:

The School District's audited financial statements report a total of $82,054 in federal expenditures. As this amount is less than the single audit threshold of $750,000, the School District is therefore not required to have an audit in accordance with the Uniform Guidance for the fiscal year ended June 30, 2022.

NOTE S – TAX ABATEMENTS:

For financial reporting purposes, GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as resulting from an agreement between an government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and about tax abatement agreements entered into by other governments that reduce the reporting government's tax revenues.

For the fiscal year ended June 30, 2022, there were no significant tax abatements made by the School District; additionally, no significant tax abatements were disclosed to the School District by other governmental units.

NOTE T – NEW GASB STANDARDS:

Management of the School DIstrict has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the School District by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

NOTE T – NEW GASB STANDARDS (Continued):

Recently Issued and Adopted Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by 18 months, to periods beginning after June 15, 2021. The School District has implemented the requirements of the activities which apply to the School District under GASB 87. For the current fiscal year, there are no material leases that require recognition in the School District's financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB 92 enhances comparability of accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports. This Statement also addresses reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits are also discussed along with the applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements. Lastly, the Statement discusses measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and terminology used to refer to derivative instruments. This Statement was originally effective for periods beginning after June 15, 2020. However, under GASB 95, the effective date was postponed by one year, to periods beginning after June 15, 2021. The School District does have activities that meet the criteria for GASB 92; therefore, GASB 92 is applicable to the School District.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* GASB 97 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. This Statement also mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial

NOTE T – NEW GASB STANDARDS (Continued):

statements. Lastly, this Statement enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement is effective for periods beginning after June 15, 2021. The School District does have activities that meet the criteria for GASB 97; therefore, GASB 97 is applicable to the School District.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objective of GASB 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. GASB 99 includes requirements related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 and are effective upon issuance. GASB 99 also has requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 with early implementation permitted. The last requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 with early implementation permitted. The School District has implemented the requirements of the activities which apply to the School District under GASB 99; therefore, GASB 99 is applicable to the School District.

Other Recently Issued Accounting Pronouncements

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by one year, to periods beginning after December 15, 2020. The School District does not have activities that meet the criteria for GASB 89; therefore, GASB 89 is not applicable to the School District.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. GASB 98 was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for the comprehensive financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. This statement is effective for periods ending after December 15, 2021. The School District does not issue an Annual Comprehensive Financial Report; therefore, GASB 98 is not applicable to the School District.

NOTE U – UPCOMING STANDARDS:

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the School District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the School.

GASB 91: Conduit Debt Obligations

Originally effective for fiscal years beginning after December 15, 2020; postponed by GASB 95 to fiscal years beginning after December 15, 2021 (School District's fiscal year 2023)

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for account and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

NOTE U – UPCOMING STANDARDS (Continued):

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Effective for fiscal years beginning after June 15, 2022 (School District's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

Under this Statement, a PPP is defined as an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital assts (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Under this Statement a PPP meets the definition of a service concession arrangement (SCA) if: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

NOTE U – UPCOMING STANDARDS (Continued):

As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

GASB 95: Postponement of the Effective Dates of Certain Authoritative Guidance

Effective for fiscal years beginning after June 15, 2018 until below GASBs implemented (beginning with the School District's fiscal year 2020)

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB 96: Subscription-Based Information Technology Arrangements

Effective for fiscal years beginning after June 15, 2022 (School District's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) for government end users (governments) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

GASB 100: Accounting Changes and Error Corrections – An Amendment of GASB Stmt No. 62

Effective for fiscal years beginning after June 15, 2023 (School District's fiscal year 2024)

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

NOTE U – UPCOMING STANDARDS (Continued):

GASB 101: Compensated Absences

Effective for fiscal years beginning after December 15, 2023 (School District's fiscal year 2025)

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

REQUIRED SUPPLEMENTAL INFORMATION

Burt Township School District #2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Plan Year Ended September 30

	2021	2020	2019	2018	2017	2016	2015	2014		
District's proportion of net pension liability	0.0045023%	0.0044432%	0.0049964%	0.0050864%	0.0047498%	0.0047878%	0.0049692%	0.0044800%		
District's proportionate share of net pension liability	$ 1,065,940	$ 1,526,672	$ 1,654,633	$ 1,529,076	$ 1,230,878	$ 1,194,504	$ 1,213,716	$ 986,556		
District's covered-employee payroll	$ 425,311	$ 409,607	$ 426,225	$ 465,284	$ 412,260	$ 404,553	$ 432,156	$ 385,855		
District's proportionate share of net pension liability as a percentage of covered-employee payroll	250.63%	372.72%	388.21%	328.63%	298.57%	295.27%	280.85%	255.68%		
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%		
Notes to Required Supplementary Information:										
Changes in benefit terms:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*		
Changes in assumptions:	*2021*	*2020*	*2019*	*2018*	*NONE*	*NONE*	*NONE*	*NONE*		

2021 - Recognition period for liabilities decreased from 4.4892 to 4.4367

2020 - Recognition period for liabilities decreased from 4.4977 to 4.4892

2019 - Investment rate of return for MIP and Basic Plans reduced from 7.05% to 6.80%
- Recognition period for liabilities increased from 4.5304 to 4.4977

2018 - Investment rate of return for MIP and Basic Plans reduced from 7.50% to 7.05%
- Projected salary increases reduced to 2.75% - 11.55%, including wage inflation at 2.75%
- Mortality tables updated to RP-2014 Male and Female Healthy Annuitant
- Recognition period for liabilities increased from 4.5188 to 4.5304

Burt Township School District #2

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Fiscal Year Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015		
Statutorily required contributions	$ 169,366	$ 129,858	$ 127,617	$ 119,909	$ 110,617	$ 110,741	$ 109,360	$ 106,859		
Contributions in relation to statutorily required contributions	169,366	129,858	127,617	119,909	110,617	110,741	109,360	106,859		
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
District's covered-employee payroll	$ 518,339	$ 390,289	$ 426,462	$ 439,857	$ 454,743	$ 410,841	$ 384,873	$ 437,119		
Contributions as a percentage of covered-employee payroll	32.67%	33.27%	29.92%	27.26%	24.33%	26.95%	28.41%	24.45%		

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Burt Township School District #2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES OPEB

For the Plan Year Ended September 30

	2021	2020	2019	2018	2017					
District's proportion of net OPEB liability	0.0045778%	0.0048072%	0.0048072%	0.0054084%	0.0048522%					
District's proportionate share of net OPEB liability	$ 69,874	$ 241,135	$ 345,047	$ 429,914	$ 429,684					
District's covered-employee payroll	$ 425,311	$ 409,607	$ 426,225	$ 465,284	$ 412,260					
District's proportionate share of net OPEB liability as a percentage of covered-employee payroll	16.43%	58.87%	80.95%	92.40%	104.23%					
Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%					

Notes to Required Supplementary Information:					
Changes in benefit terms:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*
Changes in assumptions:	*2021*	*2020*	*2019*	*2018*	*NONE*

2021 - Healthcare Cost Trend Rate increased from 7.0% to 7.75% for Pre-65; Post-65 had rate of 5.25%
- Recognition period for liabilities increased from 5.6018 to 6.1312

2020 - Healthcare Cost Trend Rate decreased from 7.5% to 7.0%
- Recognition period for liabilities decreased from 5.7101 to 5.6018

2019 - See pension assumptions
- Investment rate of return reduced from 7.15% to 6.95%
- Recognition period for liabilities increased from 5.6018 to 5.7101

2018 - See pension assumptions
- Healthcare Cost Trend rate 7.5% Year 1 graded to 3.0% Year 12 (compared to 3.5% Year 12)
- Recognition period for liabilities increased from 5.4744 to 5.6018

Burt Township School District #2

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES OPEB

For the Fiscal Year Ended June 30

	2022	2021	2020	2019	2018					
Statutorily required contributions	$ 38,196	$ 29,827	$ 30,803	$ 25,867	$ 25,687					
Contributions in relation to statutorily required contributions	38,196	29,827	30,803	25,867	25,687					
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
District's covered-employee payroll	$ 518,339	$ 390,289	$ 426,462	$ 439,857	$ 454,743					
Contributions as a percentage of covered-employee payroll	7.37%	7.64%	7.22%	5.88%	5.65%					

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Burt Township School District #2

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	$ 695,449	$ 729,826	$ 730,142	$ 34,377	$ 316
State sources	299,280	785,401	778,954	486,121	(6,447)
Federal sources	500	69,632	46,678	69,132	(22,954)
TOTAL REVENUES	995,229	1,584,859	1,555,774	589,630	(29,085)
EXPENDITURES:					
Instruction:					
Basic programs	560,065	574,070	538,272	(14,005)	35,798
Added needs	19,171	51,135	50,957	(31,964)	178
Total Instruction	579,236	625,205	589,229	(45,969)	35,976
Supporting Services:					
Pupil services	6,200	19,898	18,877	(13,698)	1,021
Instructional staff	1,995	4,714	4,063	(2,719)	651
General administration	200,842	213,352	204,114	(12,510)	9,238
School administration	800	800	272	-	528
Business support	35,267	32,135	31,324	3,132	811
Operation and maintenance	120,411	149,280	156,396	(28,869)	(7,116)
Pupil transportation	68,116	60,967	57,548	7,149	3,419
Central support	3,978	13,158	12,944	(9,180)	214
Athletic support	24,300	23,557	23,308	743	249
Total Supporting Services	461,909	517,861	508,846	(55,952)	9,015
Community Services:					
Community activities	-	300	-	(300)	300
Total Community Services	-	300	-	(300)	300
Facilities Acquisition:					
Capital outlay	-	-	-	-	-
Total Facilities Acquisition	-	-	-	-	-
Other:					
Other expenses	-	-	-	-	-
Total Other	-	-	-	-	-
TOTAL EXPENDITURES	1,041,145	1,143,366	1,098,075	(102,221)	45,291
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(45,916)	441,493	457,699	487,409	16,206
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	-	-	-	-
Sale of timber	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	(71,246)	(456,932)	(454,355)	(385,686)	2,577
TOTAL OTHER FINANCING SOURCES (USES)	(71,246)	(456,932)	(454,355)	(385,686)	2,577
NET CHANGE IN FUND BALANCE	(117,162)	(15,439)	3,344	101,723	18,783
Fund Balance, July 1	269,794	269,794	269,794	-	-
FUND BALANCE, JUNE 30	$ 152,632	$ 254,355	$ 273,138	$ 101,723	$ 18,783

OTHER SUPPLEMENTAL INFORMATION

Burt Township School District #2

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2022

		Special Revenue Funds		
	Debt Service Fund	Food Service Fund	School Activities Fund	Total
ASSETS				
Cash and cash equivalents	$ 25,995	$ 99	$ 35,907	$ 62,001
Accounts receivable	-	-	-	-
Due from other governmental units	-	2,384	-	2,384
Inventory	-	981	-	981
Prepaid expenses	-	-	-	-
TOTAL ASSETS	25,995	3,464	35,907	65,366
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 25,995	$ 3,464	$ 35,907	$ 65,366
LIABILITIES				
Accounts payable	$ -	$ 600	$ -	$ 600
Accrued liabilities	-	1,158	-	1,158
Due to other governmental units	-	-	-	-
Due to other funds	-	725	900	1,625
TOTAL LIABILITIES	-	2,483	900	3,383
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Non-spendable	-	981	-	981
Restricted	25,995	-	-	25,995
Committed	-	-	35,007	35,007
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	25,995	981	35,007	61,983
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 25,995	$ 3,464	$ 35,907	$ 65,366

Burt Township School District #2

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2022

		Special Revenue Funds		
	Debt Service Fund	Food Service Fund	School Activities Fund	Total
REVENUES:				
Local sources	$ 78,159	$ 2,000	$ 11,606	$ 91,765
State sources	-	6,627	-	6,627
Federal sources	-	35,376	-	35,376
TOTAL REVENUES	78,159	44,003	11,606	133,768
EXPENDITURES:				
School lunch activities	-	108,751	-	108,751
School activities	-	-	15,850	15,850
Debt Service	77,100	-	-	77,100
Other	1,508	-	-	1,508
TOTAL EXPENDITURES	78,608	108,751	15,850	203,209
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(449)	(64,748)	(4,244)	(69,441)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	64,355	-	64,355
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	64,355	-	64,355
NET CHANGE IN FUND BALANCE	(449)	(393)	(4,244)	(5,086)
Fund Balance, July 1	26,444	1,374	39,251	67,069
FUND BALANCE, JUNE 30	$ 25,995	$ 981	$ 35,007	$ 61,983

Burt Township School District #2

DEBT SERVICE FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local sources	$ 78,071	$ 78,159	$ 88
State sources	-	-	-
Federal sources	-	-	-
TOTAL REVENUES	78,071	78,159	88
EXPENDITURES:			
Principal	40,000	40,000	-
Interest Expense	37,100	37,100	-
Other	1,600	1,508	92
TOTAL EXPENDITURES	78,700	78,608	92
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(629)	(449)	180
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	(629)	(449)	180
Fund Balance, July 1	26,444	26,444	-
FUND BALANCE, JUNE 30	$ 25,815	$ 25,995	$ 180

Burt Township School District #2

FOOD SERVICE FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
School lunch activities	$ 2,000	$ 2,000	$ -
State sources	4,828	6,627	1,799
Federal sources	36,100	35,376	(724)
TOTAL REVENUES	42,928	44,003	1,075
EXPENDITURES:			
School Lunch Activities:			
Salaries	27,035	27,237	(202)
Employee benefits	27,565	27,962	(397)
Purchased services	4,100	3,569	531
Supplies and materials	51,160	49,983	1,177
Capital outlay	-	-	-
TOTAL EXPENDITURES	109,860	108,751	1,109
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(66,932)	(64,748)	2,184
OTHER FINANCING SOURCES (USES):			
Transfers in	66,932	64,355	(2,577)
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	66,932	64,355	(2,577)
NET CHANGE IN FUND BALANCE	-	(393)	(393)
Fund Balance, July 1	1,374	1,374	-
FUND BALANCE, JUNE 30	$ 1,374	$ 981	$ (393)

Burt Township School District #2

SCHOOL ACTIVITIES FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local sources	$ 10,000	$ 11,606	$ 1,606
State sources	-	-	-
Federal sources	-	-	-
TOTAL REVENUES	10,000	11,606	1,606
EXPENDITURES:			
School Activities	10,000	15,850	(5,850)
TOTAL EXPENDITURES	10,000	15,850	(5,850)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	-	(4,244)	(4,244)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	-	(4,244)	(4,244)
Fund Balance, July 1	39,251	39,251	-
FUND BALANCE, JUNE 30	$ 39,251	$ 35,007	$ (4,244)

COMPLIANCE SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

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

To the Board of Education of the
Burt Township School District #2
P.O. Box 338
Grand Marais, Michigan 49839

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Burt Township School District #2 (the School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 25, 2022.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Report to Management that we consider to be significant deficiencies listed as 2022-001.

Board of Education of the
Burt Township School District #2

Report on Compliance and Other Matters

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

The School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying Corrective Action Plan. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 25, 2022

COMMUNICATIONS SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Burt Township School District #2
Report to Management
For the Year Ended June 30, 2022

To the Board of Education and Management of the
Burt Township School District
P.O. Box 338
Grand Marais, Michigan 49839

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Burt Township School District #2 (the School District) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the School District's internal control to be significant deficiencies:

SIGNIFICANT DEFICIENCIES

2022-001 – SEGREGATION OF DUTIES (REPEAT)

Condition/Criteria: The accounting staff of the School District is made up of one individual, which does not allow for segregation of duties.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Effect: Because of the limited staff, there is an increased chance that misstatements in financial statements would not be prevented or detected on a timely basis.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
    - Superintendent
- Corrective Action Planned:
    - See separate Corrective Action Plan
- Anticipated Completion Date:
    - Not Applicable

The School District's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the management, Board of Education, and others within the organization, the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 25, 2022

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Burt Township School District #2
Communication with Those Charged with Governance
For the Year Ended June 30, 2022

October 25, 2022

To the Board of Education of the
Burt Township School District
P.O. Box 338
Grand Marais, Michigan 49839

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Burt Township School District #2 (the School District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Governmental 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 August 12, 2022. 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 the School District are described in the footnotes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. 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 School District's financial statements were:

> Management's estimate of accumulated depreciation is based on historical cost. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

> Management's estimate of the District's proportionate share of Net Pension Liability and Net OPEB Liability is based on an actuarial performed for the Michigan Public Employees' Retirement System (MPSERS) to determine its liability. We evaluated the key factors and assumptions used to develop the District's proportionate share of Net Pension Liability and Net OPEB Liability, based on information provided by the Michigan Department of Technology, Management and Budget Office of Retirement Services, in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's allocation of the School District's pension and OPEB contributions subsequent to the measurement date is based contribution rates set by the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

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

> The disclosure of the District's proportionate share of the Defined Benefit Pension Plan includes significant actuarial assumptions used in calculating the valuation. Gabriel, Roeder, Smith & Company was the actuarial company hired by the Retirement Board of the Michigan Public Employees' Retirement System (MPSERS) and the Michigan Department of Technology, Management and Budget Office of Retirement Services for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MPSERS' Annual Comprehensive Financial Report of the Fiscal Year Ended September 30, 2021.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2022.

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 School District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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.

Our consideration of internal control was for the limited purpose described in a separate letter and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Report to Management that we consider to be significant deficiencies listed as item 2022-001.

<u>Other Matters</u>

We applied certain limited procedures to the Required Supplementary Information (RSI), as listed in the table of contents. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Board of Education of the
Burt Township School District #2

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountants

Marquette-Alger RESA Regional Educational Service Agency

Burt Township School District #2
Corrective Action Plan
For the Year Ended June 30, 2022

October 25, 2022

In response to the findings disclosed in the audited financial statements for the year ended June 30, 2022:

2022-001 – SEGREGATION OF DUTIES (REPEAT)
Corrective Action Plan:
The Board of Education closely monitors all payments and reviews the financial statements on a monthly basis. The Board of Education has also hired MARESA to provide accounting services for the School District.