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EAU CLAIRE PUBLIC SCHOOLS



FINANCIAL REPORT

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2021

**EAU CLAIRE PUBLIC SCHOOLS**  
**Eau Claire, Michigan**  
**June 30, 2021**

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**EAU CLAIRE PUBLIC SCHOOLS**  
**Eau Claire, Michigan**  
**June 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Eau Claire Public Schools  
Eau Claire, Michigan

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

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

#### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 11 to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

## INDEPENDENT AUDITOR'S REPORT, CONCLUDED

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the summaries of principal and interest requirements to maturity, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are 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 28, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully Submitted,



Certified Public Accountants

St. Joseph, Michigan  
October 28, 2021

Eau Claire Public Schools' (the "District") management discussion and analysis ("MD&A") is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address subsequent year changes. The MD&A identifies any material deviations from the financial plan and identifies individual fund issues or concerns. The MD&A is a requirement of the Governmental Accounting Standards Board Statement No. 34 ("GASB 34") "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*" The provisions and requirements under GASB 34 are intended to provide financial information for the fiscal year ending June 30, 2021.

### **District-wide Financial Statements**

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

The Statement of Net Position combines and consolidates governmental funds' current financial resources with capital assets, deferred outflows of resources, deferred inflows of resources and long-term obligations, regardless if they are currently available or not.

The Statement of Activities is a full accrual-based report, stating current year revenues and expenses, regardless of when cash is received or paid. The intent of this report is to summarize and simplify the user's analysis of the costs of the various District services.

### **Fund Financial Statements**

The fund statements focus on the District's major funds rather than on the fund types. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are reported when received, except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period the goods and services are used in school programs. In addition, capital assets purchased are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

Fund types include the **General Fund, Special Revenue Fund, Debt Retirement Funds, and Capital Projects Funds**. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal allocations and grants, and other local and intergovernmental revenues. The Special Revenue Funds are comprised of the Food Service and Student Activity Funds. The Debt Funds are used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction or improvement of major facilities along with capital purchases for athletics.

	For the Year Ended	
	June 30, 2021	June 30, 2020 (Restated)*
<b>Revenues</b>		
<b>Program Revenue</b>		
Charges for services	\$ 42,859	\$ 115,768
Operating grants and contributions	6,517,659	5,404,473
<b>General Revenues</b>		
Property taxes	934,572	885,149
State aid-unrestricted	2,720,332	2,679,409
Interest	57,693	48,941
Other	70,504	66,189
<b>Total Revenues</b>	<u>\$ 10,343,619</u>	<u>\$ 9,199,929</u>
<b>Expenses</b>		
Instruction and instructional support	\$ 4,967,469	\$ 5,316,081
Support services	3,159,423	3,484,346
Student activities	53,286	4,070
Athletics	254,314	355,461
Community	11,678	11,339
Food services	586,300	701,013
Interest on long-term debt	32,106	39,479
Depreciation (unallocated)	353,589	389,014
<b>Total Expenses</b>	<u>\$ 9,418,165</u>	<u>\$ 10,300,803</u>
<b>Change in Net Position</b>	\$ 925,454	\$ (1,100,874)
<b>Beginning Net Position</b>	(13,376,600)	(12,275,726)
<b>Ending Net Position</b>	<u>\$ (12,451,146)</u>	<u>\$ (13,376,600)</u>

\*Fiscal year June 30, 2021 was restated for the implementation of GASB 84, *Fiduciary Activities*.

The District’s total revenues for the fiscal year ended June 30, 2021 were \$10.3 million. The total cost of all programs and services was \$9.4 million. The above table presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and 2020.



	June 30, 2021	June 30, 2020 (Restated)*
<b>Assets</b>		
Current assets	\$ 5,811,030	\$ 4,516,281
<b>Capital assets</b>		
Nondepreciable	\$ 190,164	\$ 190,164
Depreciable, net of accumulated depreciation	6,004,687	6,147,654
Capital assets, net book value	\$ 6,194,851	\$ 6,337,818
<b>Total Assets</b>	<b>\$ 12,005,881</b>	<b>\$ 10,854,099</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 5,012,251</b>	<b>\$ 6,214,829</b>
<b>Liabilities</b>		
Current liabilities	\$ 2,367,856	\$ 1,951,282
Noncurrent liabilities	22,644,236	24,434,154
<b>Total Liabilities</b>	<b>\$ 25,012,092</b>	<b>\$ 26,385,436</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 4,457,186</b>	<b>\$ 4,144,646</b>
<b>Net Position (Deficit)</b>		
Net investment in capital assets	\$ 2,984,851	\$ 2,807,818
Restricted	2,059,280	1,893,587
Unrestricted	(17,495,277)	(18,162,559)
<b>Total Net Position (Deficit)</b>	<b>\$ (12,451,146)</b>	<b>\$ (13,461,154)</b>

\*Fiscal year June 30, 2021 was restated for the implementation of GASB 84, *Fiduciary Activities*.

As indicated by the above table, total net position is a deficit of \$12,451,146 at June 30, 2021. Net position can be separated into three categories: net investment in capital assets, restricted assets, and unrestricted net position.

Net investment in capital assets are a combination of capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets is \$15,377,720 representing the accumulation of capital assets year after year less any capital disposals. The accumulated depreciation of \$9,182,869 is based on original capital assets costs less any salvage value calculated over the useful life of the asset.

Restricted net position of \$2,059,280 represents net position restricted for debt retirement and capital projects as of June 30, 2021. Unrestricted net deficit of \$17,495,277 is the accumulation of prior years' operating results.

**FINANCIAL HIGHLIGHTS****General Fund**

The District's final fiscal 2021 budget for the General Fund projected a surplus of \$577,321, the actual results for the year show a surplus of \$568,192. The major differences in the budgeted versus actual results are:

- Federal sources of revenue were \$156,133 over budget.

The ending General Fund balance of \$1,221,150 represents approximately 14% of total General Fund expenditures. Significant financial factors include:

- The foundation allowance for 2020-2021 was \$8,111 per student, no change from the prior year.
- The blended enrollment for 2020-2021 was 744, a decrease of 12 from the prior year.
- Expenses within the scope of the renovation projects were funded out of the Capital Projects Fund.

**Capital Projects Funds**

The Capital Projects Funds are used to purchase and develop school sites, purchase capital equipment and construction and renovation of school buildings.

**Debt Service Funds and Debt Activity**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs. During the year, \$320,000 of principal payments were made in these funds.

**School Service Fund**

The School Service Fund is made up of Food Service activities.

During the 2020-21 fiscal year, the Food Service program had revenues of \$651,830 and expenditures and transfers out of \$597,370 for an increase in fund balance of \$54,460.

**Fiduciary (Student Activity) Fund**

The Student Activity Fund includes money held by the District on behalf of various student and building accounts. These are not District funds; however, the District has a fiduciary responsibility to manage them.

**Capital Assets**

By the end of the 2020-21 fiscal year, the District had \$6,194,851 in capital assets net of accumulated depreciation. This includes a cost basis of \$15,377,720 and accumulated depreciation of \$9,182,869. The District has a capitalization policy that recognizes only assets that have a unit cost of \$5,000 or more. Assets include land, buildings, site improvements, furniture and equipment, school buses and other vehicles. A breakdown by major asset, net of accumulated depreciation, is detailed below as of June 30:

	2021	2020
Land	\$ 190,164	\$ 190,164
Buildings and site improvements	5,653,401	5,678,218
Buses and other vehicles	85,723	137,261
Furniture and equipment	265,563	332,175
<b>Total</b>	<b>\$ 6,194,851</b>	<b>\$ 6,337,818</b>

**Factors Bearing on the District’s Future**

Eau Claire Public Schools continues to strengthen the financial health of the district through improved budgeting and spending practices. The district will have gone from being on the State watch list to have a healthy fund balance.

In 2021, the district received Federal monies that helped provide cleaning supplies, masks and additional cleaning services to deliver a safer place for students and staff to return to the classroom. Further, the district purchased computers, hot spots and a tech assistant to help facilitate better virtual learning for our students that needed it. In addition, Eau Claire schools was able to provide free breakfast/lunch for all students during that timeframe.

Also, the district was able to use monies to help replace the roof at the High School to prevent any future water damage that may happen.

Significant changes in Central Office took place over the past year. Berrien RESA now provides payroll services as well as business manager services for the district. This will allow Eau Claire to focus on other priorities within the district as well as provide separation of duties that become difficult with smaller districts.

With positive guidance received from our Board of Education as well as valuable input from our community, parents and staff, we look forward to building an even stronger District.

**Contacting the District’s Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District’s finances. If you have questions about this report or need additional information, contact the Business Office, Eau Claire Public Schools at 6190 West Main Street, Eau Claire, Michigan 49111 or by phone at (269) 461-6947.

**EAU CLAIRE PUBLIC SCHOOLS**STATEMENT OF NET POSITION  
AS OF JUNE 30, 2021

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 3,911,745
Due from other governmental units	1,893,333
Inventory	5,952
Capital assets, not being depreciated	190,164
Capital assets being depreciated	15,187,556
Less: accumulated depreciation	(9,182,869)
Total Assets	<u>\$ 12,005,881</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to pensions	\$ 3,881,038
Deferred outflows of resources related to OPEB	1,131,213
Total Deferred Outflows of Resources	<u>\$ 5,012,251</u>
<b>Liabilities</b>	
Accounts payable	\$ 47,615
Accrued payroll and related liabilities	860,462
Interest payable	7,723
State anticipation notes	1,452,056
Noncurrent liabilities	
Bonds and notes payable - current	1,830,000
Bonds and notes payable - noncurrent	1,380,000
Net pension liability	16,740,079
Net OPEB liability	2,647,161
Compensated absences	46,996
Total Liabilities	<u>\$ 25,012,092</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to pensions	\$ 1,988,062
Deferred inflows of resources related to OPEB	2,469,124
Total Deferred Inflows of Resources	<u>\$ 4,457,186</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 2,984,851
Restricted for debt service	2,029,463
Restricted for capital projects	29,817
Unrestricted	(17,495,277)
Total Net Position	<u><u>\$ (12,451,146)</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

**EAU CLAIRE PUBLIC SCHOOLS**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues			Governmental	
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Activities Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
Instruction and instructional support	\$ 4,967,469	\$ -	\$ 5,868,177	\$ -	\$ 900,708
Support services	3,159,423	-	-	-	(3,159,423)
Student activities	53,286	41,924	-	-	(11,362)
Athletics	254,314	935	-	-	(253,379)
Community	11,678	-	-	-	(11,678)
Food services	586,300	-	649,482	-	63,182
Interest on long-term debt	32,106	-	-	-	(32,106)
Depreciation (unallocated)	353,589	-	-	-	(353,589)
	<u>\$ 9,418,165</u>	<u>\$ 42,859</u>	<u>\$ 6,517,659</u>	<u>\$ -</u>	<u>\$ (2,857,647)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes					\$ 570,721
Property taxes, levied for debt services					363,851
State of Michigan aid, unrestricted					2,720,332
Interest and investment earnings					57,693
Other					70,504
Total general revenues					<u>\$ 3,783,101</u>
<b>Change in Net Position</b>					\$ 925,454
<b>Net Position - beginning of year, as restated (Note 11)</b>					<u>(13,376,600)</u>
<b>Net Position - end of year</b>					<u>\$ (12,451,146)</u>

The Notes to the Financial Statements are an integral part of this statement.

# EAU CLAIRE PUBLIC SCHOOLS

## BALANCE SHEET GOVERNMENTAL FUNDS AS OF JUNE 30, 2021

	General Fund	2007 QZAB Debt Retirement	2009 QZAB Debt Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and investments	\$ 1,682,914	\$ 1,398,683	\$ 513,334	\$ 316,814	\$ 3,911,745
Due from other governmental units	1,867,052	-	-	26,281	1,893,333
Due from other governmental funds	76,654	-	46,666	-	123,320
Inventory	-	-	-	5,952	5,952
<b>Total Assets</b>	<b>\$ 3,626,620</b>	<b>\$ 1,398,683</b>	<b>\$ 560,000</b>	<b>\$ 349,047</b>	<b>\$ 5,934,350</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 47,515	\$ -	\$ -	\$ 100	\$ 47,615
Due to other governmental funds	46,666	-	-	76,654	123,320
Salaries payable	470,235	-	-	-	470,235
Accrued liabilities	385,598	-	-	4,629	390,227
Interest payable	3,400	-	-	-	3,400
State anticipation notes	1,452,056	-	-	-	1,452,056
<b>Total Liabilities</b>	<b>\$ 2,405,470</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 81,383</b>	<b>\$ 2,486,853</b>
<b>Fund Balances:</b>					
Non-spendable - inventory	\$ -	\$ -	\$ -	\$ 5,952	\$ 5,952
Restricted for debt retirement	-	1,398,683	560,000	70,780	2,029,463
Restricted for capital projects	-	-	-	29,817	29,817
Restricted for food service	-	-	-	81,819	81,819
Committed for student activities	-	-	-	79,296	79,296
Assigned for 2020-21 budgeted deficit	-	-	-	-	-
Unassigned	1,221,150	-	-	-	1,221,150
<b>Total Fund Balances</b>	<b>\$ 1,221,150</b>	<b>\$ 1,398,683</b>	<b>\$ 560,000</b>	<b>\$ 267,664</b>	<b>\$ 3,447,497</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,626,620</b>	<b>\$ 1,398,683</b>	<b>\$ 560,000</b>	<b>\$ 349,047</b>	<b>\$ 5,934,350</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**EAU CLAIRE PUBLIC SCHOOLS****RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2021**

<b>Total Governmental Fund Balances</b>		\$	3,447,497
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Deferred outflows of resources related to:			
Pension			3,881,038
OPEB			1,131,213
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.			
The cost of the capital assets	\$	15,377,720	
Accumulated depreciation		<u>(9,182,869)</u>	6,194,851
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Bonds and notes payable (including premium)			(3,210,000)
Compensated absences			(46,996)
Net pension liability			(16,740,079)
Net OPEB liability			(2,647,161)
Deferred inflows of resources related to:			
Pension			(1,988,062)
OPEB			(2,469,124)
Accrued interest on long-term debt is not included as a liability in governmental funds			<u>(4,323)</u>
<b>Net Position (Deficit) of Governmental Activities</b>		\$	<u><u>(12,451,146)</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

# EAU CLAIRE PUBLIC SCHOOLS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	2007 QZAB Debt Retirement	2009 QZAB Debt Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<b>General Fund</b>				
<b>Revenues:</b>				
Local sources:				
Property taxes	\$ 570,721	\$ -	\$ 363,851	\$ 934,572
Charges for services	935	-	41,924	42,859
Interest	6,043	51,288	362	57,693
Other local sources	68,505	-	1,999	70,504
State sources	7,239,234	-	37,926	7,277,160
Federal sources	1,349,275	-	611,556	1,960,831
<b>Total Revenues</b>	<b>\$ 9,234,713</b>	<b>\$ 51,288</b>	<b>\$ 1,057,618</b>	<b>\$ 10,343,619</b>
<b>Expenditures:</b>				
Instruction	\$ 4,921,219	\$ -	\$ -	\$ 4,921,219
Supporting services	3,317,210	-	25,676	3,342,886
Community	27,372	-	-	27,372
Food services	-	-	581,906	581,906
Payments to other governments	34,901	-	-	34,901
Student activities	-	-	53,286	53,286
Athletics	236,322	-	-	236,322
Debt retirement:				
Principal on long-term debt	-	-	320,000	320,000
Interest on long-term debt	-	-	33,280	33,280
<b>Total Expenditures</b>	<b>\$ 8,537,024</b>	<b>\$ -</b>	<b>\$ 1,014,148</b>	<b>\$ 9,551,172</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ 697,689</b>	<b>\$ 51,288</b>	<b>\$ 43,470</b>	<b>\$ 792,447</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	\$ -	\$ 82,831	\$ 46,666	\$ 129,497
Operating transfers out	(129,497)	-	-	(129,497)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (129,497)</b>	<b>\$ 82,831</b>	<b>\$ 46,666</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 568,192</b>	<b>\$ 134,119</b>	<b>\$ 46,666</b>	<b>\$ 792,447</b>
<b>Fund Balances - Beginning of year, as restated (Note 11)</b>	<b>652,958</b>	<b>1,264,564</b>	<b>513,334</b>	<b>2,655,050</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,221,150</b>	<b>\$ 1,398,683</b>	<b>\$ 560,000</b>	<b>\$ 3,447,497</b>

*The Notes to the Financial Statements are an integral part of this statement.*



**EAU CLAIRE PUBLIC SCHOOLS**

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

**Net Change in Fund Balances - Total Governmental Funds** \$ 792,447

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

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (353,589)	
Capitalized capital outlay	<u>210,622</u>	(142,967)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond and note payments	320,000
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Decrease in the liability for interest payable is not reported in the governmental funds.	1,174
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Change in pension expense related to the net pension liability.	(654,595)
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Change in pension expense related to the net OPEB liability.	574,940
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Change in the liability for compensated absences is not reported in the governmental funds.	<u>34,455</u>
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**Change in Net Position of Governmental Activities** **\$ 925,454**

**EAU CLAIRE PUBLIC SCHOOLS****STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2021**

	<u>Custodial Fund</u>
	<u>Scholarship Fund</u>
Assets	
Investments	\$ 58,109
<b>Total Assets</b>	<u>\$ 58,109</u>
Net Position	
Restricted for custodial funds	\$ 58,109
<b>Total Net Position</b>	<u>\$ 58,109</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**EAU CLAIRE PUBLIC SCHOOLS**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
JUNE 30, 2021

	<u>Custodial Fund</u>
	<u>Scholarship Fund</u>
Additions	
Interest income	\$ 1,758
<b>Total additions</b>	<u>\$ 1,758</u>
Deductions	
Payments made on behalf of scholarship fund	\$ -
<b>Total deductions</b>	<u>\$ -</u>
<b>Change in Net Position</b>	\$ 1,758
<b>Net Position - beginning of year, as restated (Note 11)</b>	56,351
<b>Net Position - end of year</b>	<u>\$ 58,109</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Eau Claire Public Schools (the “District”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the significant accounting policies.

**REPORTING ENTITY**

The District’s Board of Education (the “Board”) is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the area comprised by the District. The Board receives funding from State and Federal governmental sources and must comply with the concomitant requirements of these funding sources entities. However, the Board is not included in any other governmental “reporting entity” as defined by the GASB since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, under the criteria of the GASB, student, parent, and teacher organizations are not included, except to the extent that the District holds assets in the capacity of an agent.

**BASIC FINANCIAL STATEMENTS**

District-wide Statements – The District’s financial statements include both district-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The district-wide financial statements categorize primary activities as either governmental or business-type. All of the District’s activities are classified as governmental activities.

In the district-wide Statement of Net Position, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables, deferred outflows of resources, as well as deferred inflows of resources and long-term debt and obligations. The District’s net position is reported in three parts—invested in capital assets, restricted net position, and unrestricted net position.

The District first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.).

The District does not allocate indirect costs. In creating the district-wide financial statements, the District has eliminated interfund transactions.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Fund Statements – The accounts of the District are organized on the basis of funds and account groups, 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 balance, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

**Governmental Funds:**

**General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Debt Retirement Funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. As of June 30, 2021, the District's debt retirement funds are the 2007 QZAB Debt Retirement Fund, and the 2009 QZAB Debt Retirement Fund and the 2012 Debt Retirement Fund.

**Special Revenue Funds** are used to account for the specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. As of June 30, 2021, the special revenue funds maintained by the District are the Food Service and Student Activity Funds.

**Capital Projects Funds** are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. As of June 30, 2021, the capital projects fund maintained by the District is the 2012 Capital Projects Fund.

**Fiduciary Funds:**

**Custodial Funds** are used to account for assets held by the District in a trustee capacity or as an agent on behalf of others. Custodial Funds are custodial in nature and do not involve measurements of results of operations. As of June 31, 2021, the District's custodial fund is the Scholarship Fund.

The major funds reported by the District are the General Fund, 2007 QZAB Debt Retirement Fund and the 2009 QZAB Debt Retirement Fund.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Accrual**

Governmental activities in the district-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized when incurred.

Revenues are generally considered available when they are received in cash (unless legally restricted for some future period), or when expected to be collected soon enough after year-end to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

**Budgets and Budgetary Accounting**

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

- Prior to June 30, the superintendent of the District submits to the Board a proposed operating budget for the fiscal year commencing July 1 of that year. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- Prior to July 1, the budget is legally enacted on an activity level basis through passage of a resolution, and in accordance with Public Act 621 of the State.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- The District is required under Public Act 621 of 1978 and by accounting principles generally accepted in the United States of America to adopt a budget for the General Fund and major Special Revenue Funds.
- Budget amounts are reported in the financial statements as originally adopted and as amended by the Board of Education.
- The budget was amended multiple times during the fiscal year.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Cash and Cash Equivalents**

For the purposes of balance sheet classification, the District considers its investments in highly liquid pooled money funds to be cash equivalents.

**Inventory**

The inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Special Revenue Funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time inventory items are purchased. The inventory in the Food Service includes USDA commodities.

**Capital Assets**

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

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

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

Building and site improvements	25-50 years
Buses and other vehicles	8 years
Furniture and other equipment	10 years

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All property tax receivables are shown net of an allowance for uncollectibles.

**Property Tax Revenue**

Property taxes attach as an enforceable lien on property as of December 31, 2021 and are levied on the following August and December. Property taxes become available for expenditures when levied and are thus recognized as revenue in the fiscal year they are levied.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Deferred Outflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualifies for reporting in this category. They are the deferred outflows related to the pension and OPEB plans.

**Deferred Inflows of Resources**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The District has two items that qualifies for reporting in this category. They are the deferred inflows related to the pension and OPEB plans that are reported in the district-wide Statement of Net Position.

**Risk Management**

The District carries commercial insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amount of expenditures during the reported period. Actual results may differ from those estimates.

**Fund Equity**

The following are the District's fund balance classifications:

**Non-spendable Fund Balance** - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted Fund Balance** – includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**Committed Fund Balance** – includes amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

**Assigned Fund Balance** – includes amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed.

**Unassigned Fund Balance** – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

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

**Pension and Other Postemployment Benefits (“OPEB”) Plans** - For purposes of measuring the net pension and OPEB liabilities, 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. Contributions are recorded as contributions are due, pursuant to legal requirements. 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.

**Fund Deficits** – As of June 30, 2021, the District had no fund deficits.

**Net Position (Deficit)** - As of June 30, 2021, the District-wide Statement of Net Position has a cumulative net position deficit of \$12,451,146.

**NOTE 2. CASH AND INVESTMENTS**

At June 30, 2021, the District’s cash and investments include the following:

	Cash	Investments	Total	Custodial Fund
Bank deposits	\$ 3,911,745	\$ -	\$ 3,911,745	\$ -
Investments	-	-	-	58,109
	<u>\$ 3,911,745</u>	<u>\$ -</u>	<u>\$ 3,911,745</u>	<u>\$ 58,109</u>

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s policy for custodial credit risk is to minimize the risk by using only those financial institutions meeting specific qualifications. As of June 30, 2021, the exposure to custodial credit risk is as follows:

Insured by FDIC	\$ 500,000
Backed by Federal Home Loan Banks	1,398,683
Uninsured and uncollateralized	<u>2,123,726</u>
Total cash held by outside sources	<u>\$ 4,022,409</u>

**Bank Deposits:**

All cash of the District is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

**Investments:**

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker’s acceptance of the United State Bank, and 6) certain mutual funds. The District has put further restrictions on those investments through its current policy, and the following investments are permitted by law and policy.

**Custodial Investments:**

The custodial fund has an investment portfolio with TCF Investment Services for the purpose of funding the James Billings Scholarship.

**NOTE 2. CASH AND INVESTMENTS (CONCLUDED)**

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

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

**Concentration of Credit Risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All of the District's investments are in the Chemical Financial Corporation – Common Stock and represent 100% of the District's total investments.

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

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

**NOTE 3. CAPITAL ASSETS**

A summary of changes in governmental capital assets follows:

	Balance June 30, 2019	Additions and Adjustments	Disposals and Adjustments	Balance June 30, 2020
Assets not being depreciated:				
Land	\$ 190,164	\$ -	\$ -	\$ 190,164
Subtotal	<u>\$ 190,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,164</u>
Other capital assets:				
Building and site improvements	\$ 12,594,736	\$ 199,800	\$ -	\$ 12,794,536
Buses and other vehicles	961,271	-	-	961,271
Furniture and equipment	1,420,927	10,822	-	1,431,749
Subtotal	<u>\$ 14,976,934</u>	<u>\$ 210,622</u>	<u>\$ -</u>	<u>\$ 15,187,556</u>
Accumulated depreciation:				
Building and site improvements	\$ 6,916,518	\$ 224,617	\$ -	\$ 7,141,135
Buses and other vehicles	824,010	51,538	-	875,548
Furniture and equipment	1,088,752	77,434	-	1,166,186
Subtotal	<u>\$ 8,829,280</u>	<u>\$ 353,589</u>	<u>\$ -</u>	<u>\$ 9,182,869</u>
Net capital assets being depreciated	<u>\$ 6,147,654</u>	<u>\$ (142,967)</u>	<u>\$ -</u>	<u>\$ 6,004,687</u>
Net capital assets	<u><u>\$ 6,337,818</u></u>	<u><u>\$ (142,967)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,194,851</u></u>

Depreciation for the fiscal year ended June 30, 2021 amounted to \$353,589. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 4. LONG-TERM DEBT**

The following is a summary of debt transactions of the District for the year ended June 30, 2021:

<b>Governmental Activities - Primary Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
2007 Qualified Zone Academy Bonds due in one installment of \$1,500,000 on June 18, 2022 with interest at 0%.	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000	\$ 1,500,000
2009 Qualified Zone Academy Bonds due in one installment of \$700,000 on July 9, 2024 with interest at 0%.	700,000	-	-	700,000	-
2012 School Building and Site Bonds due in annual installments of \$105,000 to \$340,000 through May 1, 2024; interest rate at 0.90% to 2.70%	1,330,000	-	(320,000)	1,010,000	330,000
<b>Total Bonds</b>	<b>\$ 3,530,000</b>	<b>\$ -</b>	<b>\$ (320,000)</b>	<b>\$ 3,210,000</b>	<b>\$ 1,830,000</b>

Compensated absences at June 30, 2021 consist of the following:

	<b>Beginning Balance</b>	<b>Net Change</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences consist of benefits which are payable upon termination of employment	\$ 81,451	\$ (34,455)	\$ 46,996	\$ -

Long-term debt, excluding compensated absences, at June 30, 2021 is comprised of the following individual issues:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 1,830,000	\$ 25,940	\$ 1,855,940
2023	340,000	18,020	358,020
2024	1,040,000	9,180	1,049,180
	<b>\$ 3,210,000</b>	<b>\$ 53,140</b>	<b>\$ 3,263,140</b>

Interest expense of \$32,106 was not charged to activities, as the District considers its debt and related assets to impact multiple activities and allocation was not practical.

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2021 is as follows:

**Due To/From Other Funds:**

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	\$ 57,056
General Fund	Student Activity Fund	19,598
2009 QZAB Debt Retirement Fund	General Fund	46,666
Total		<u>\$ 123,320</u>

**Interfund Transfers:**

Transfer In	Transfer Out	Amount
2009 QZAB Debt Retirement Fund	General Fund	\$ 46,666
2007 QZAB Debt Retirement Fund	General Fund	82,831
Total		<u>\$ 129,497</u>

The Food Service fund owes the General Fund \$57,056 for wages and benefits.

The Student Activity fund owes the General Fund \$19,598 for various student activities and events.

The General Fund owes the 2009 QZAB Debt Retirement Fund \$46,666 for to assist with the eventual payoff of the QZAB debt retirement.

The General Fund transferred \$46,666 to the 2009 QZAB Debt Retirement Fund to assist with the eventual payoff of the QZAB debt retirement.

The General Fund transferred \$82,831 to the 2007 QZAB Debt Retirement Fund to assist with the eventual payoff of the QZAB debt retirement.

**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

**Plan Description** - The Michigan Public School Employees' Retirement System ("MPSERS") ("System") is a costsharing, 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

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

**Benefits Provided - Overall** – participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plan offered by MPSERS is as follows:

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

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

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

**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

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

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

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

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

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



**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

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

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

**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

**Regular Retirement (no reduction factor for age) - Eligibility** - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For MIP members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan ("PPP") members, age 60 with 10 years of credited service.

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

**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)**

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

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 20-year period beginning October 1, 2019 and ending September 30, 2038.

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

	<u>Pension</u>	<u>Other Postemployment benefit</u>
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

The District’s pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$834,798.

The District’s OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$261,013.

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

**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

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

<b>MPSERS (Plan) Non-university employers</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Total pension liability	\$ 85,290,583,799	\$ 83,442,507,212
Plan fiduciary net position	50,939,496,006	50,325,869,388
Net pension liability	34,351,087,793	33,116,637,824
Proportionate share	0.04873%	0.05220%
Net pension liability for the District	16,740,079	17,288,388

For the year ended June 30, 2020, the District recognized pension expense of \$2,053,238.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 255,775	\$ 35,729
Changes of assumptions	1,854,962	-
Net difference between projected and actual earnings on pension plan investments	70,334	-
Changes in proportion and differences between District contributions and proportionate share of contributions	87,143	1,449,775
District contributions subsequent to the measurement date*	1,612,824	-
Revenues in support of contributions subsequent to the measurement date	-	502,558
<b>Total</b>	<b>\$ 3,881,038</b>	<b>\$ 1,988,062</b>

Deferred inflows of resources of \$502,558 resulting from the pension portion of State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2022.

\*The contributions subsequent to the measure date as a reduction of the net pension liability in the following year.

**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

Year Ending June 30	Amount:
2021	\$ 552,743
2022	210,638
2023	11,914
2024	7,415
	\$ 782,710

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

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

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total other postemployment benefits liability	\$ 13,206,903,534	\$ 13,925,860,688
Plan fiduciary net position	7,849,636,555	6,748,112,668
Net other postemployment benefits liability	5,357,266,979	7,177,748,020
Proportionate share	0.04941%	0.04924%
Net other postemployment benefits liability for the District	2,647,161	3,534,315

**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

For the year ended June 30, 2021, the District recognized OPEB expense (credit) of (\$188,404). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ -	\$ 1,972,382
Changes of assumptions	872,822	-
Net difference between projected and actual earnings on pension plan investments	22,094	-
Changes in proportion and differences between District contributions and proportionate share of contributions	57,412	496,742
District contributions subsequent to the measurement date*	178,885	-
<b>Total</b>	<u><u>\$ 1,131,213</u></u>	<u><u>\$ 2,469,124</u></u>

\*The contributions subsequent to the measure date as a reduction of the OPEB in the following year.

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

Year Ending June 30	Amount:
2021	\$ (407,806)
2022	(377,111)
2023	(334,783)
2024	(261,705)
2025	(135,391)
	<u><u>\$ (1,516,796)</u></u>

**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

**Actuarial Assumptions** - The total pension liability and total OPEB liability as of September 30, 2020 is based on the results of an actuarial valuation as of September 30, 2019 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

## Summary of Actuarial Assumptions

Actuarial cost method	Entry Age, Normal
Wage inflation rate	2.75%
Investment rate of return - Pension	6.00 - 6.80%
Investment rate of return - OPEB	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
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.
	Disable Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

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

**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

**Cost of living pension adjustments** - 3.0% annual non-compounded for MIP members.

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

**Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:**

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

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

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

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

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

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

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



**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

**OPEB discount rate** - A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was 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 net pension liability to changes in the discount rate** - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
\$ 21,667,192	\$ 16,740,079	\$ 12,656,600

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

1% Decrease	Current Discount Rate	1% Increase
\$ 3,400,579	\$ 2,647,161	\$ 2,012,846

**NOTE 6. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONCLUDED)**

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 1,988,559	\$ 2,647,161	\$ 3,396,239

**Pension and OPEB Plan Fiduciary Net Position -** Detailed information about the pension and OPEB’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2020 Comprehensive Annual Financial Report.

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

**NOTE 7. TAX ABATEMENTS**

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. There were no abatements made by the District during the fiscal year ended June 30, 2021.

**NOTE 8. CONTINGENT LIABILITIES**

**Grants –** In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**NOTE 9. STATE AID ANTICIPATION NOTES**

Short-term borrowing undertaken the District to assist with cash flow needs during the fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
State Aid Note, 2019A-1, Due August 2020 with interest at 1.3%	\$ 100,000	\$ -	\$ (100,000)	\$ -
State Aid Note, 2019A-2, Due August 2020 with interest at 1.3%	900,000	-	(900,000)	-
State Aid Note, 2020A-1, Due August 2021 with interest at 0.7%	-	500,000	(399,944)	100,056
State Aid Note, 2020A-2, Due August 2021 with interest at 0.3%	-	1,352,000	-	1,352,000
Total Bonds	<u>\$ 1,000,000</u>	<u>\$ 1,852,000</u>	<u>\$ (1,399,944)</u>	<u>\$ 1,452,056</u>

**NOTE 10. UPCOMING PRONOUNCEMENTS**

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District’s financial statements for the year ending June 30, 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires not disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

**NOTE 11. ADOPTION OF NEW PRONOUNCEMENT**

For the year ended June 30, 2021, the District implemented the following new pronouncement: GASB Statement No. 84, *Fiduciary Activities*.

**Summary** – GASB issued Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and is effective for the District’s 2021 year end. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basis financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

The restatement of the beginning of the year fund balances and net position is as follows:

	Fund Balances	
	Non-Major Student Activity Fund	Total Governmental Funds
Fund balances as of July 1, 2020, as previously stated	\$ -	\$ 2,564,392
Adoption of GASB Statement 84	90,658	90,658
Fund balances as of July 1, 2020, as restated	\$ 90,658	\$ 2,655,050

  

	Net Position	
	Governmental Activities	Custodial Fund
Net position as of July 1, 2020, as previously stated	\$ (13,467,258)	\$ 147,009
Adoption of GASB Statement 84	90,658	(90,658)
Net position as of July 1, 2020, as restated	\$ (13,376,600)	\$ 56,351

**NOTE 12. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 28, 2021, the date the financial statements were available to be issued. The following are subsequent events management would like to disclose.

On August 20, 2021, the District borrowed a \$800,000 Series A State Aid Anticipation Note at .52 percent annual interest. This note, plus interest, is due July 20, 2022.

On October 1, 2021, the District borrowed a \$400,000 Series A State Aid Anticipation Note at .44 percent annual interest. This note, plus interest, is due August 20, 2022.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**EAU CLAIRE PUBLIC SCHOOLS**

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			<b>Variance Financial Budget Positive (Negative)</b>
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Local sources	\$ 567,102	\$ 593,402	\$ 646,204	\$ 52,802
State sources	6,274,982	7,287,567	7,239,234	(48,333)
Federal sources	1,130,306	1,193,142	1,349,275	156,133
<b>Total Revenues</b>	<u>\$ 7,972,390</u>	<u>\$ 9,074,111</u>	<u>\$ 9,234,713</u>	<u>\$ 160,602</u>
<b>Expenditures</b>				
Instruction:				
Basic programs	\$ 4,036,629	\$ 4,034,525	\$ 4,013,419	\$ 21,106
Added needs	697,011	864,036	907,800	(43,764)
Supporting services:				
Pupil	258,183	247,941	303,764	(55,823)
Instructional staff	327,528	344,713	377,618	(32,905)
General administration	299,542	338,636	332,037	6,599
School administration	451,716	490,919	477,767	13,152
Business services	241,928	265,644	242,178	23,466
Operations and maintenance	672,152	1,065,883	1,033,419	32,464
Transportation	647,761	461,623	442,388	19,235
Central services	109,163	118,062	108,039	10,023
Athletics and other supporting services	288,898	223,193	236,322	(13,129)
Community activities	20,365	25,394	27,372	(1,978)
Payments to other governments	52,979	5,807	34,901	(29,094)
<b>Total Expenditures</b>	<u>\$ 8,103,855</u>	<u>\$ 8,486,376</u>	<u>\$ 8,537,024</u>	<u>\$ (50,648)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (131,465)</u>	<u>\$ 587,735</u>	<u>\$ 697,689</u>	<u>\$ 109,954</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	\$ 100,000	\$ 119,586	\$ -	\$ (119,586)
Operating transfers out	(100,000)	(130,000)	(129,497)	503
<b>Total Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>\$ (10,414)</u>	<u>\$ (129,497)</u>	<u>\$ (119,083)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (131,465)</u>	<u>\$ 577,321</u>	<u>\$ 568,192</u>	<u>\$ (9,129)</u>
<b>Fund Balances - Beginning of year</b>	<u>652,958</u>	<u>652,958</u>	<u>652,958</u>	
<b>Fund Balances - End of year</b>	<u>\$ 521,493</u>	<u>\$ 1,230,279</u>	<u>\$ 1,221,150</u>	

*The Notes to Required Supplementary Information are an integral part of this statement.*

**EAU CLAIRE PUBLIC SCHOOLS**

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of net pension liability	0.04873%	0.05220%	0.05692%	0.05635%	0.05487%	0.05481%	0.05196%
District's proportionate share of net pension liability	\$ 16,740,079	\$ 17,288,388	\$ 17,111,294	\$ 14,603,836	\$ 13,688,441	\$ 13,386,397	\$ 11,443,918
District's covered employee payroll	\$ 4,387,454	\$ 4,308,611	\$ 5,092,634	\$ 4,871,695	\$ 4,686,959	\$ 4,532,949	\$ 4,417,360
District's proportionate share of net pension liability as a percentage of its covered employee payroll	381.54%	401.25%	336.00%	299.77%	292.05%	295.31%	259.07%
Plan fiduciary net position as a percentage of total pension liability	59.49%	60.08%	62.12%	63.96%	63.01%	62.92%	66.20%

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

*The Notes to Required Supplementary Information are an integral part of this statement.*



**EAU CLAIRE PUBLIC SCHOOLS**

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,337,356	\$ 1,415,635	\$ 1,643,355	\$ 1,778,681	\$ 1,232,029	\$ 1,057,280	\$ 990,203
Contributions in relation to statutorily required contributions	<u>1,337,356</u>	<u>1,415,635</u>	<u>1,643,355</u>	<u>1,778,681</u>	<u>1,232,029</u>	<u>1,057,280</u>	<u>990,203</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,182,734	\$ 4,479,625	\$ 4,674,301	\$ 5,025,193	\$ 4,686,959	\$ 4,532,949	\$ 4,593,736
Contributions as a percentage of covered-employee payroll	31.97%	31.60%	35.16%	35.40%	26.29%	23.32%	21.56%

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

*The Notes to Required Supplementary Information are an integral part of this statement.*

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S SHARE OF THE NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED SEPTEMBER 30TH

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
District's proportion of net OPEB liability	0.04941%		0.04924%		0.05751%		0.05652%
District's proportionate share of net OPEB liability	\$ 2,647,161	\$	3,534,315	\$	4,571,530	\$	5,005,042
District's covered-employee payroll	\$ 4,387,454	\$	4,308,611	\$	5,092,634	\$	4,871,695
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	60.33%		82.03%		89.77%		102.74%
Plan fiduciary net position as a percentage of total OPEB liability	59.76%		48.67%		43.10%		36.53%

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

*The Notes to Required Supplementary Information are an integral part of this statement.*

**EAU CLAIRE PUBLIC SCHOOLS**

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 355,730	\$ 363,440	\$ 418,264	\$ 419,901
Contributions in relation to statutorily required contributions	<u>355,730</u>	<u>363,440</u>	<u>418,264</u>	<u>419,901</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,182,734	\$ 4,479,625	\$ 4,674,301	\$ 5,025,193
Contributions as a percentage of covered-employee payroll	8.50%	8.11%	8.95%	8.36%

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

*The Notes to Required Supplementary Information are an integral part of this statement.*

**Change of pension benefit terms:**

There were no changes of benefit terms for the plan year ended September 30, 2020.

**Change of pension assumptions:**

There were no changes of pension assumptions for the plan year ended September 30, 2020.

**Change of OPEB benefit terms:**

There were no changes of benefit terms for the plan year ended September 30, 2020.

**Change of OPEB assumptions:**

Changes of assumptions – the assumption changes for 2020 were:

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

**Stewardship, Compliance and Accountability**

**Excess of Expenditures Over Appropriations in Budgeted Funds** – See previous Budgetary Comparison Schedules for budget variances as they apply to the District. There were expenditures in excess of budgeted amounts for fiscal year 2021.

**OTHER SUPPLEMENTARY  
INFORMATION**

**EAU CLAIRE PUBLIC SCHOOLS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2021

	<b>Food Service Fund</b>	<b>2012 Capital Projects Fund</b>	<b>2012 Debt Retirement Fund</b>	<b>Student Activity Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>					
Cash and investments	\$ 117,223	\$ 29,817	\$ 70,780	\$ 98,994	\$ 316,814
Due from other governmental units	26,281	-	-	-	26,281
Inventory	5,952	-	-	-	5,952
<b>Total Assets</b>	<b>\$ 149,456</b>	<b>\$ 29,817</b>	<b>\$ 70,780</b>	<b>\$ 98,994</b>	<b>\$ 349,047</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 100	\$ 100
Due to other funds	57,056	-	-	19,598	76,654
Payroll liabilities	4,629	-	-	-	4,629
<b>Total Liabilities</b>	<b>\$ 61,685</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,698</b>	<b>\$ 81,383</b>
<b>Fund Balances:</b>					
Non-spendable - inventory	\$ 5,952	\$ -	\$ -	\$ -	\$ 5,952
Restricted for debt retirement	-	-	70,780	-	70,780
Restricted for capital projects	-	29,817	-	-	29,817
Restricted for food service	81,819	-	-	-	81,819
Committed for student activities	-	-	-	79,296	79,296
<b>Total Fund Balances</b>	<b>\$ 87,771</b>	<b>\$ 29,817</b>	<b>\$ 70,780</b>	<b>\$ 79,296</b>	<b>\$ 267,664</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 149,456</b>	<b>\$ 29,817</b>	<b>\$ 70,780</b>	<b>\$ 98,994</b>	<b>\$ 349,047</b>

**EAU CLAIRE PUBLIC SCHOOLS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Food Service Fund</b>	<b>2012 Capital Projects Fund</b>	<b>2012 Debt Retirement Fund</b>	<b>Student Activity Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>					
Local sources:					
Property taxes	\$ -	\$ -	\$ 363,851	\$ -	\$ 363,851
Charges for services	-	-	-	41,924	41,924
Interest	349	3	10	-	362
Other local sources	1,999	-	-	-	1,999
State sources	37,926	-	-	-	37,926
Federal sources	611,556	-	-	-	611,556
<b>Total Revenues</b>	<b>\$ 651,830</b>	<b>\$ 3</b>	<b>\$ 363,861</b>	<b>\$ 41,924</b>	<b>\$ 1,057,618</b>
<b>Expenditures:</b>					
Food services	\$ 581,906	\$ -	\$ -	\$ -	\$ 581,906
Student activities	-	-	-	53,286	53,286
Debt retirement:					
Principal on long-term debt	-	-	320,000	-	320,000
Interest on long-term debt	-	-	33,280	-	33,280
Capital outlay	-	25,676	-	-	25,676
<b>Total Expenditures</b>	<b>\$ 581,906</b>	<b>\$ 25,676</b>	<b>\$ 353,280</b>	<b>\$ 53,286</b>	<b>\$ 1,014,148</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ 69,924</b>	<b>\$ (25,673)</b>	<b>\$ 10,581</b>	<b>\$ (11,362)</b>	<b>\$ 43,470</b>
<b>Net Change in Fund Balances</b>	<b>\$ 69,924</b>	<b>\$ (25,673)</b>	<b>\$ 10,581</b>	<b>\$ (11,362)</b>	<b>\$ 43,470</b>
<b>Fund Balances - Beginning of year, as restated (note 11)</b>	<b>17,847</b>	<b>55,490</b>	<b>60,199</b>	<b>90,658</b>	<b>224,194</b>
<b>Fund Balances - End of year</b>	<b>\$ 87,771</b>	<b>\$ 29,817</b>	<b>\$ 70,780</b>	<b>\$ 79,296</b>	<b>\$ 267,664</b>

**EAU CLAIRE PUBLIC SCHOOLS****SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY  
2012 SCHOOL BUILDING AND SITE BONDS  
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Year Ended June 30</u>	<u>Principal Due May 1</u>	<u>Interest Rate</u>	<u>Interest Due November 1</u>	<u>Interest Due May 1</u>	<u>Total</u>
2022	\$ 330,000	2.40%	\$ 12,970	\$ 12,970	\$ 355,940
2023	340,000	2.60%	9,010	9,010	358,020
2024	340,000	2.70%	4,590	4,590	349,180
Total	<u>\$ 1,010,000</u>		<u>\$ 26,570</u>	<u>\$ 26,570</u>	<u>\$ 1,063,140</u>



**SINGLE AUDIT  
INFORMATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2020	Adjustments	Federal Funds/ In- Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2021
<u>U.S Department of Agriculture</u>									
Passed through the Michigan Department of Education: Child Nutrition Cluster National School Lunch Program:									
Non-Cash Assistance (Donated foods) - Entitlement Commodities - 2020/2021	N/A	10.555	\$ 10,254	\$ -	\$ -	\$ -	\$ 10,254	\$ 10,254	\$ -
Non-Cash Assistance (Donated Foods) - Bonus - 2020/2021	N/A	10.555	324	-	-	-	324	324	-
Total Non-Cash Assistance			<u>\$ 10,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,578</u>	<u>\$ 10,578</u>	<u>\$ -</u>
Cash Assistance:									
COVID-19 National School Lunch Program	200902	10.555	\$ 216,511	\$ 216,511	\$ 61,672	\$ -	\$ 61,672	\$ -	\$ -
Total COVID-19 National Lunch Program			<u>\$ 216,511</u>	<u>\$ 216,511</u>	<u>\$ 61,672</u>	<u>\$ -</u>	<u>\$ 61,672</u>	<u>\$ -</u>	<u>\$ -</u>
Total National Lunch Program			<u>\$ 227,089</u>	<u>\$ 216,511</u>	<u>\$ 61,672</u>	<u>\$ -</u>	<u>\$ 72,250</u>	<u>\$ 10,578</u>	<u>\$ -</u>
Summer Food Service Program for Children:									
COVID-19 SFSP Operating	200900	10.559	\$ 176,789	\$ -	\$ -	\$ -	\$ 176,789	\$ 176,789	\$ -
COVID-19 SFSP Operating	210904	10.559	424,189	-	-	-	397,907	424,189	26,282
Total COVID -19 Summer Food Service Program for Children			<u>\$ 600,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 574,696</u>	<u>\$ 600,978</u>	<u>\$ 26,282</u>
Total Cash Assistance			<u>\$ 817,489</u>	<u>\$ 216,511</u>	<u>\$ 61,672</u>	<u>\$ -</u>	<u>\$ 636,368</u>	<u>\$ 600,978</u>	<u>\$ 26,282</u>
Total Child Nutrition Cluster			<u>\$ 828,067</u>	<u>\$ 216,511</u>	<u>\$ 61,672</u>	<u>\$ -</u>	<u>\$ 646,946</u>	<u>\$ 611,556</u>	<u>\$ 26,282</u>
<b>Total U.S. Department of Agriculture</b>			<u><b>\$ 828,067</b></u>	<u><b>\$ 216,511</b></u>	<u><b>\$ 61,672</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 646,946</b></u>	<u><b>\$ 611,556</b></u>	<u><b>\$ 26,282</b></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2020	Adjustments	Federal Funds/ Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2021
<b>U.S. Department of Education</b>									
Passed through Michigan Department of Education									
Grants to Local Educational Agencies - Title I, Part A									
Title I, Part A 1920	201530	84.010	\$ 444,781	\$ 412,924	\$ 12,413	\$ -	\$ (32,746)	\$ (45,159)	\$ -
Title I, Part A 2021	211530	84.010	420,133	-	-	-	289,611	388,292	98,681
Total Title I, Part A			<u>\$ 864,914</u>	<u>\$ 412,924</u>	<u>\$ 12,413</u>	<u>\$ -</u>	<u>\$ 256,865</u>	<u>\$ 343,133</u>	<u>\$ 98,681</u>
Title I, Part C - Migrant Education									
Title I, Part C 1920 - Summer	201830	84.011	\$ 320,130	\$ -	\$ -	\$ -	\$ 220,784	\$ 220,784	\$ -
Title I, Part C 2021 - Regular	211890	84.011	139,517	-	-	-	88,376	107,484	19,108
Total Title I, Part C			<u>\$ 459,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,160</u>	<u>\$ 328,268</u>	<u>\$ 19,108</u>
Title III, Part A - Limited English Proficient Students									
Title III, Part A 1920	200580	84.365	\$ 105,309	\$ 36,867	\$ 11,316	\$ -	\$ 28,145	\$ 16,829	\$ -
Title III, Part A 2021	210580	84.365	123,256	-	-	-	9,760	9,760	-
Total Title III, Part A			<u>\$ 228,565</u>	<u>\$ 36,867</u>	<u>\$ 11,316</u>	<u>\$ -</u>	<u>\$ 37,905</u>	<u>\$ 26,589</u>	<u>\$ -</u>
Improving Teacher Quality - Title II, Part A									
Title II, Part A 1920A	190532	84.367	\$ 31,369	\$ -	\$ (7,783)	\$ -	\$ (4,262)	\$ 3,521	\$ -
Title II, Part A 2021	200520	84.367	54,857	30,110	-	-	(10,025)	(10,025)	-
Title II, Part A 2021	210520	84.367	53,302	-	-	-	8,719	10,723	2,004
Total Title II, Part A			<u>\$ 139,528</u>	<u>\$ 30,110</u>	<u>\$ (7,783)</u>	<u>\$ -</u>	<u>\$ (5,568)</u>	<u>\$ 4,219</u>	<u>\$ 2,004</u>
Title IV, Part A - School Support and Academic Enrichment Program									
Title IV, Part A 1920	200750	84.424	\$ 30,762	\$ 20,580	\$ -	\$ -	\$ 393	\$ 393	\$ -
Title IV, Part A 2021	210750	84.424	37,411	-	-	-	9,259	9,969	710
Total Title IV, Part A			<u>\$ 68,173</u>	<u>\$ 20,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,652</u>	<u>\$ 10,362</u>	<u>\$ 710</u>
Education Stabilization Fund									
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I) 1920	203710	84.425D	\$ 312,009	\$ -	\$ -	\$ -	\$ -	\$ 312,009	\$ 312,009
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I) 1920	203720	84.425D	46,801	-	-	-	-	46,801	46,801
Total Education Stabilization Fund			<u>\$ 358,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,810</u>	<u>\$ 358,810</u>
Total Passed Through Michigan Department of Education			<u>\$ 2,119,637</u>	<u>\$ 500,481</u>	<u>\$ 15,946</u>	<u>\$ -</u>	<u>\$ 608,014</u>	<u>\$ 1,071,381</u>	<u>\$ 479,313</u>
<b>Total U.S. Department of Education</b>			<u><b>\$ 2,119,637</b></u>	<u><b>\$ 500,481</b></u>	<u><b>\$ 15,946</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 608,014</b></u>	<u><b>\$ 1,071,381</b></u>	<u><b>\$ 479,313</b></u>

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2020	Adjustments	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2021
<u>U.S. Department of Health and Human Services</u>									
Passed through the Berrien RESA									
Medicaid Cluster									
Medicaid Outreach - 2020/2021	N/A	93.778	\$ 3,890	\$ -	\$ -	\$ -	\$ 3,890	\$ 3,890	\$ -
Total Medicaid Cluster			\$ 3,890	\$ -	\$ -	\$ -	\$ 3,890	\$ 3,890	\$ -
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 3,890</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,890</b>	<b>\$ 3,890</b>	<b>\$ -</b>
<u>U.S. Department of Treasury</u>									
Passed through Michigan Department of Education									
COVID -19 Coronavirus Relief Funds	11(p)	21.019	\$ 264,687	\$ -	\$ -	\$ -	\$ 264,687	\$ 264,687	\$ -
COVID -19 Coronavirus Relief Funds - District COVID Cos	103(2)	21.019	9,317	-	-	-	9,317	9,317	-
Total COVID - 19 Coronavirus Relief Funds			\$ 274,004	\$ -	\$ -	\$ -	\$ 274,004	\$ 274,004	\$ -
<b>Total U.S. Department of Treasury</b>			<b>\$ 274,004</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 274,004</b>	<b>\$ 274,004</b>	<b>\$ -</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 3,225,598</b>	<b>\$ 716,992</b>	<b>\$ 77,618</b>	<b>\$ -</b>	<b>\$ 1,532,854</b>	<b>\$ 1,960,831</b>	<b>\$ 505,595</b>

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

**SECTION I - SUMMARY OF AUDITORS RESULTS**

*Financial Statements*

Type of auditors report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditors report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>Assistance</u>	
<u>Listing</u>	
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555,	
10.556, 10.559,	
10.579	Child Nutrition Cluster
20.019	Coronavirus Relief Funds

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

Auditee qualified as low-risk auditee?  Yes  No

**SECTION II –STATUS OF PRIOR YEAR FINDINGS**

**2020-001: Significant Deficiency – Bank Reconciliations**

**Criteria:** The District is responsible for preparation of bank reconciliations as an integral part of the internal control structure. The reconciliations should be accurately and timely prepared and reviewed by appropriate individuals on a monthly basis.

**Condition:** During the audit, it was discovered the bank reconciliations were not completed in a timely manner.

**Cause:** During the 2020 fiscal year, the District did not complete the reconciliations of bank accounts timely after monthly and yearly close.

**Effect:** As a result, the District is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be detected and corrected by management in a timely manner.

**Recommendation:** Management should review the bank reconciliation process to ensure timely preparation and documented review of bank reconciliations.

**Planned Action:** The District agrees with the above recommendation and has already implemented procedures to ensure timely completion of bank reconciliations.

**Status of Finding:** Controls are not in place and this finding has been moved to a material weakness since bank reconciliations were being prepared during the audit.

**2020-002: Significant Deficiency – Misappropriation of Resources Due to Time Card Entry**

**Criteria:** Internal controls should be in place to provide reasonable assurance that the District monitors proper time card entry without auditor intervention.

**Condition:** Transportation timesheets were recorded inaccurately with the intent of overstating hours worked. Employees reported hours worked during days the District was closed. Individuals responsible for overseeing time entry possibly aide and abetted individuals recording inaccurate time cards by signing and approving time cards.

**Cause:** Personnel responsible and their supervisors have monetary incentive to inaccurately record and/or approve inaccurate time sheets.

**Effect:** The effect of this condition subjects the District to increased risk of misstatements within the financial statements and misappropriation of assets.

**Recommendation:** The District should review and implement the necessary control activities to monitor and report suspicious time entry activity.

**Planned Action:** We are aware of this deficiency. Recently, steps have been taken to mitigate the risk of inaccurate time card entry, such as purchasing time clocks, tablets for time card entry, and implementing new procedures and processes. The District brought this to the auditors attention and the amounts do not rise to the level of significance.

**SECTION II – STATUS OF PRIOR YEAR FINDINGS, CONTINUED**

**Status of Finding:** The District has addressed and resolved this finding.

**2020-003: Material Weakness – Material Audit Adjustments**

**Criteria:** The District is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

**Condition:** During the audit, it was discovered that there were material audit adjustments required to reflect accurate ending balances in the Food Service Fund for accounts receivable.

**Cause:** During the 2020 fiscal year, the District preliminarily recognized a receivable for a drawdown related to fiscal year 2021 expenditures.

**Effect:** Without the proposed audit adjustments, the financial statements would have been materially misstated.

**Recommendation:** The District has already reviewed and approved the necessary correcting journal entries, and their effect is properly included in the audited financial statements. Accordingly, no further corrective action is necessary.

**Planned Action:** The District understands that revenues earned during the fiscal year should be recognized in the proper period and will accrue for such items in the future. We feel that this was an oversight that was found during the audit with the assistance of the District’s business manager.

**Status of Finding:** Finding to be repeated for fiscal year 2021 and involve payroll liabilities and QZAB Bond activity.

**2020-004: Material Noncompliance – Budget Variance**

**Criteria:** The Uniform Budgeting and Accounting Act (the “Act”) establishes budgeting requirements for local units of government. Noncompliance with this Act includes, but is not limited, to, net change in fund balance being less than the budgeted amount.

**Condition:** The District’s General Fund expenditures significantly exceeded budgeted expenditures (see Required Supplementary Information – Budgetary Comparison Schedule).

**Cause and Effect:** The District did not accurately amend the fiscal year budget, resulting in actual expenditures exceeding budgeted expenditures, significantly.

**Recommendation:** Budgets should be sufficiently conservative to allow for unexpected decreases in revenue and/or unexpected increases in expenditures. Budgets should be amended as new information comes to light regarding such decreases or increases.

**SECTION II – STATUS OF PRIOR YEAR FINDINGS, CONCLUDED**

**Planned Action:** The District is aware of this deficiency and continues to take steps to ensure accuracy of budgeted amounts, amending budgeted amounts as needed, given information known at the time. The District feels the variance for this year is an anomaly and does not expect this condition to continue in the future.

**Status of finding:** Repeat but as a significant deficiency due variance being significantly lower.

**2020-005:** See financial statement finding 2020-003: **CFDA Number, Federal Agency, and Program Name** - 10.553, 10.555, 10.559 Child Nutrition Cluster, U.S. Department of Agriculture.

**Status of finding:** See 2020-003. Will not repeat since material adjustments did not affect the Child Nutrition Cluster.

**SECTION III – FINANCIAL STATEMENT FINDING**

**2021-001: Material Weakness – Bank Reconciliations**

**Criteria:** The District is responsible for preparation of bank reconciliations as an integral part of the internal control structure. The reconciliations should be accurately and timely prepared and reviewed by appropriate individuals on a monthly basis.

**Condition:** During the audit, it was discovered the bank reconciliations were not completed in a timely manner.

**Cause:** During the 2020 fiscal year, the District did not complete the reconciliations of bank accounts timely after monthly and yearly close.

**Effect:** As a result, the District is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be detected and corrected by management in a timely manner.

**Recommendation:** Management should review the bank reconciliation process to ensure timely preparation and documented review of bank reconciliations.

**Planned Action:** The District agrees with the above recommendation and has already implemented procedures to ensure timely completion of bank reconciliations.

**2021-002:** See prior year financial statement finding 2020-003.

**2021-003: Significant deficiency – Budget Variance**

**Criteria:** The Uniform Budgeting and Accounting Act (the “Act”) establishes budgeting requirements for local units of government. Noncompliance with this Act includes, but is not limited, to, net change in fund balance being less than the budgeted amount.



**SECTION III – FINANCIAL STATEMENT FINDING, CONCLUDED**

**Condition:** The District’s General Fund expenditures exceeded budgeted expenditures (see Required Supplementary Information – Budgetary Comparison Schedule).

**Cause and Effect:** The District did not accurately amend the fiscal year budget, resulting in actual expenditures exceeding budgeted expenditures.

**Recommendation:** Budgets should be sufficiently conservative to allow for unexpected decreases in revenue and/or unexpected increases in expenditures. Budgets should be amended as new information comes to light regarding such decreases or increases.

**Planned Action:** The District is aware of this deficiency and continues to take steps to ensure accuracy of budgeted amounts, amending budgeted amounts as needed, given information known at the time. The District feels the variance for this year is an anomaly and does not expect this condition to continue in the future.

**SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no federal award findings or questioned costs.

# **EAU CLAIRE PUBLIC SCHOOLS**

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

### **NOTE 1. BASIS OF PRESENTATION:**

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

The District qualifies for high-risk auditee status. Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule.

### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **NOTE 3. FOOD DISTRIBUTION**

The amounts reported on the Recipient Entitlement Balance Report ("PAL report"), agree with this schedule for USDA donated food commodities and are reported in the Federal Funds/In-Kind Payments column. Spoilage or pilferage, if any, is included in expenditures.

### **NOTE 4. INDIRECT COSTS**

The District has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

### **NOTE 5. SCHEDULE OF RECONCILIATION OF REVENUES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

The value of the non cash assistance received was determined in accordance with the provisions of the Uniform Guidance. The related expenditures are composed of the following:

	Amount
Actual cash expenditures	\$ 1,950,253
Entitlement commodities used	10,578
	<u>\$ 1,960,831</u>

**EAU CLAIRE PUBLIC SCHOOLS**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 6. PASS-THROUGH SUBRECIPIENTS**

Federal Financial Assistance funds were passed through from the District to sub-recipients as follows:

	<u>Assistance listing number</u>	<u>Subrecipient award/contract amount</u>	<u>Subrecipient current year expenditures</u>	<u>Current year cash transferred to subrecipient</u>
Title III, Part A, Limited English Proficient Students passed through to:	84.365			
Coloma Community Schools		\$ 6,760	\$ 6,760	\$ 6,760
Countryside Academy		16,465	16,465	16,465
Niles Community Schools		1,419	1,419	1,419
Watervliet Public Schools		13,133	13,133	13,133
Total Limited English Proficient Students passed through to subrecipients		<u>\$ 37,777</u>	<u>\$ 37,777</u>	<u>\$ 37,777</u>

**NOTE 7. DONATED PERSONAL PROTECTIVE EQUIPMENT**

The District did not receive any donated personal protective equipment.

**MANAGEMENT COMPLIANCE  
LETTERS**



**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  
Eau Claire Public Schools  
Eau Claire, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eau Claire Public Schools’, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Eau Claire Public Schools’ basic financial statements, and have issued our report thereon dated October 28, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Eau Claire Public Schools’ internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eau Claire Public Schools’ internal control. Accordingly, we do not express an opinion on the effectiveness of Eau Claire Public Schools’ 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider a material weakness and other deficiencies 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 consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Findings 2021-001 and 2021-002).

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 deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency (Finding 2021-003).

**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***

**Compliance and Other Matters**

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

**Eau Claire Public Schools’ Response to Findings**

Eau Claire Public Schools’ response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Eau Claire Public Schools’ response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan  
October 28, 2021

## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Education of  
Eau Claire Public Schools  
Eau Claire, Michigan

### **Report on Compliance for Each Major Federal Program**

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

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control Over Compliance**

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

## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

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

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

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruegel, Lawton & Company, LLC". The signature is written in a cursive style.

Certified Public Accountants

St. Joseph, Michigan  
October 28, 2021