Posen Consolidated School District #9

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2021

Posen Consolidated School District #9

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June 30, 2021

INDEPENDENT AUDITOR'S REPORT

To the School Board
Posen Consolidated School District #9
Posen, MI

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 Posen Consolidated School District #9 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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 and each major fund of the Posen Consolidated School District #9 as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

GASB 84

As discussed in Note F the school districted adopted and implemented GASB 84, regarding the identification and reporting for fidurciary activities, as of June 30, 2021, the effect to net assets can be found in Note F. Our opinion is not modified with respect to this change.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2021, on our consideration of the Posen Consolidated School District #9 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 Posen Consolidated School District #9 internal control over financial reporting and compliance.

Morgan & Associates CPAs & Advisors

William T Morgan CPA

Grand Rapids, MI
October 27, 2021

Posen Consolidated School District #9

Administration's Discussion and Analysis

For the year ended June 30, 2021

Posen Consolidated School District #9 is a K-12 School District located in Presque Isle County, Michigan. This Administration's Discussion and Analysis Section, a requirement of GASB 34, is intended to be the Posen Consolidated School District #9 Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2021.

Generally accepted accounting principles (GAAP) according to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, (GASB 34) requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements

Fund Financial Statements

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds, Capital Projects, and the School Service Funds which are comprised of: Food Service and Student Activity accounts.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years debt obligations are not recorded.

District-Wide Financial Statements

The District-Wide Financial Statements are presented on the full accrual basis statements. They report all of the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Fund solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-Wide Financial Statements.

Posen Consolidated School District #9

Administration's Discussion and Analysis

For the year ended June 30, 2021

Summary of Net Position

The following summarizes the net position at fiscal year ended June 30, 2021.

	2021	2020
ASSETS		
Current assets	$ 1,004,115	$ 1,149,385
Capital assets	2,406,598	2,679,247
Total assets	3,410,713	3,828,632
DEFERRED OUTFLOWS OF RESOURCES	1,077,068	1,338,744
LIABILITIES		
Current liabilities	332,947	646,469
Long-term liabilities	5,360,358	5,690,036
Total liabilities	5,693,305	6,336,505
DEFERRED INFLOWS OF RESOURCES	760,161	839,327
NET POSITION		
Net investment in capital assets	2,146,597	1,877,767
Restricted	283,751	332,651
Unrestricted	(4,396,033)	(4,218,874)
Total net position	$ (1,965,685)	$ (2,008,456)

Analysis of Financial Position

During fiscal year ended June 30, 2021, the District's net position increased by $42,771.

Depreciation Expense

GASB 34 requires School Districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position.

For fiscal year ended June 30, 2021, the net increase in accumulated depreciation was $167,814.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

One way to think of depreciation expense is that in order to maintain net position at the same level, acquisitions of capital outlay and capitalized major maintenance projects would have to equal the annual depreciation expense. In other words, to stay even in net position the District would have had to capitalize $167,814 in assets during the year.

Capital Outlay Acquisitions

Actual capital outlay acquisitions for fiscal year ended June 30, 2021 were $36,570.

Combined with the increase in accumulated depreciation, net position (i.e., net book value) invested in capital assets decreased by $131,244 during the year. This is the additional amount the District would have had to spend to maintain the same net value of assets.

Since accumulated depreciation is based on original cost, it does not take into consideration inflation. As a result, the actual investment in capital outlay would have to be more than depreciation expense in order to maintain assets at the same level of maintenance and upkeep.

Debt Administration

At year end, the District had $260,975 in outstanding long-term debt including compensated absences. Long-term liabilities had a net decrease of $262,140. See note 9 in the notes to financial statements for additional information.

Posen Consolidated School District #9

Administration's Discussion and Analysis

For the year ended June 30, 2021

Results of Operations

For the fiscal year ended June 30, 2021, the district-wide results of operations were:

	2021	% of Total	2020	% of Total
General Revenues				
Michigan's Foundation Grant Allowance:				
Property taxes levied for general operations	$ 1,002,257	35.1 %	$ 902,089	34.6 %
State of Michigan aid, unrestricted	748,083	26.2 %	849,108	32.6 %
Michigan's Foundation Grant Allowance	1,750,340	61.3 %	1,751,197	67.2 %
Property taxes levied for debt service	233,640	8.2 %	255,597	9.8 %
Property taxes levied for capital projects	57,903	2.0 %	56,391	2.2 %
Other	167,042	5.8 %	29,959	1.2 %
Total General Revenues	2,208,925	77.3 %	2,093,144	80.4 %
Program Revenues				
Charges for services	15,142	0.5 %	54,357	2.1 %
Operating grants - Federal and State	634,073	22.2 %	456,127	17.5 %
Total Revenues	2,858,140	100.0 %	2,603,628	100.0 %
Expenses				
Instructional	1,726,178	62.8 %	1,529,442	58.4 %
Support services	625,296	22.7 %	690,951	26.5 %
Food services	102,812	3.7 %	111,609	4.3 %
Athletics	99,860	3.6 %	88,979	3.4 %
Pupil activities	18,976	0.7 %	-	%
Interest on long-term debt	7,894	0.3 %	25,221	1.0 %
Depreciation (unallocated)	167,814	6.1 %	165,925	6.4 %
Total Expenses	2,748,830	99.9 %	2,612,127	100.0 %
Increase (Decrease) in Net Position	$ 109,310		$ (8,499)	

Property Taxes levied for General Operations (General Fund Property Taxes)

The District levied 18.00 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

The District's non-homestead property levy for the 2020-2021 fiscal year was $945,438. The non-homestead tax levy increased by 4.71% over the prior year levy of $893,239.

The following summarizes the District's non-homestead levy the past five years:

Fiscal Year	Non Homestead Tax Levy	Percent Change
2020-2021	$ 945,438	4.71 %
2019-2020	893,239	(1.07)%
2018-2019	902,910	2.07 %
2017-2018	884,618	1.00 %
2016-2017	875,876	1.14 %

The average increase over the last 5 years was 1.57%.

State of Michigan Aid, Unrestricted

The State of Michigan aid, unrestricted, is determined by the following variables:

a. State of Michigan State Aid Act per student foundation allowance
b. Student Enrollment - Blended at 90% of current year fall count and 10% of prior year winter count
c. The District's non-homestead levy

Per Student, Foundation Allowance:

Annually, the State of Michigan sets the per student foundation allowance. The District's foundation allowance was $8,111 per student for the 2020-2021 school year. This represents an increase of $240 per pupil from the District's 2019-2020 foundation allowance.

Student Enrollment:

The District's student enrollment in 2020-2021 was 209 students. The District's enrollments have gradually declined in the last five years. The following summarizes fall student enrollments in the past five years:

Fiscal Year	Student Membership	Increase (Decrease) From Prior Year
2020-2021	209.18	(6.64)
2019-2020	215.82	(6.24)
2018-2019	222.06	(7.15)
2017-2018	229.21	(2.24)
2016-2017	231.45	(4.36)

Management expects that the 2021-2022 enrollments will decrease.

Property Taxes levied for Debt Service

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2020-2021, the District's debt millage levy was 2.00 mills which generated a levy of $229,338.

Property Taxes levied for the Sinking Fund

The District's sinking fund levy, which is used to acquire and improve school facilities, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2020-2021, the District's sinking fund millage levy was 0.4957 mills which generated a levy of $56,841.

Food Service Sales to Students and Adults

The District's food and milk sales to students and adults decreased by approximately $14,943 to $4,760 from the prior school year. Expenditures exceeded revenues from operations by $9,186. The food service operations were negatively impacted by the COVID 19 pandemic. In March of 2020 the district changed its operations to remote learning; this significantly changed the nature of the food service operations.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

General Fund Revenue Budget vs. Actual 5-Year History

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
2020-2021	$ 2,296,358	$ 2,464,579	$ 2,478,482	7.93 %	0.56 %
2019-2020	2,354,317	2,391,616	2,304,544	(2.11)%	(3.64)%
2018-2019	2,337,994	2,358,169	2,304,017	(1.45)%	(2.30)%
2017-2018	2,302,379	2,318,330	2,286,156	(0.70)%	(1.39)%
2016-2017	2,145,922	2,203,049	2,247,031	4.71 %	2.00 %

General Fund Expenditures Budget vs. Actual 5-Year History

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
2020-2021	$ 2,388,555	$ 2,507,571	$ 2,312,673	3.18 %	7.77 %
2019-2020	2,375,297	2,362,149	2,264,574	4.66 %	4.13 %
2018-2019	2,249,284	2,348,292	2,239,689	0.43 %	4.62 %
2017-2018	2,264,365	2,244,867	2,198,086	2.93 %	2.08 %
2016-2017	2,091,642	2,176,518	2,247,285	(7.44)%	(3.25)%

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget during the school year. For fiscal year 2020-2021 the budget was amended one time in June of 2021.

Change from Original to Final Budget

General Fund Revenues

The District's budget for revenues changed as follows during the year:

Total Revenues Original Budget	$	2,296,358
Total Revenues Final Budget		2,464,579
Increase (Decrease) in Budgeted Revenues	$	168,221

The District's General Fund actual revenues differed from the final budget by $13,903, a variance of 0.56%.

General Fund Expenditures

The District's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	$	2,388,555
Total Expenditures Final Budget		2,507,571
Increase (Decrease) in Budgeted Expenditures	$	119,016

The District's General Fund actual expenditures differed from the final budget by $194,898, a variance of 7.77%.

Factors Bearing on the District's Future

Posen Consolidated School District #9 has had declining enrollment in recent years. The school operating revenue is based on student enrollment as well as the amount of funding per student. The student enrollment for the 2020/2021 school year was at 209. The prior year student count was 216. The 2020/2021 school year state aid funding was $8,111 per student enrolled.

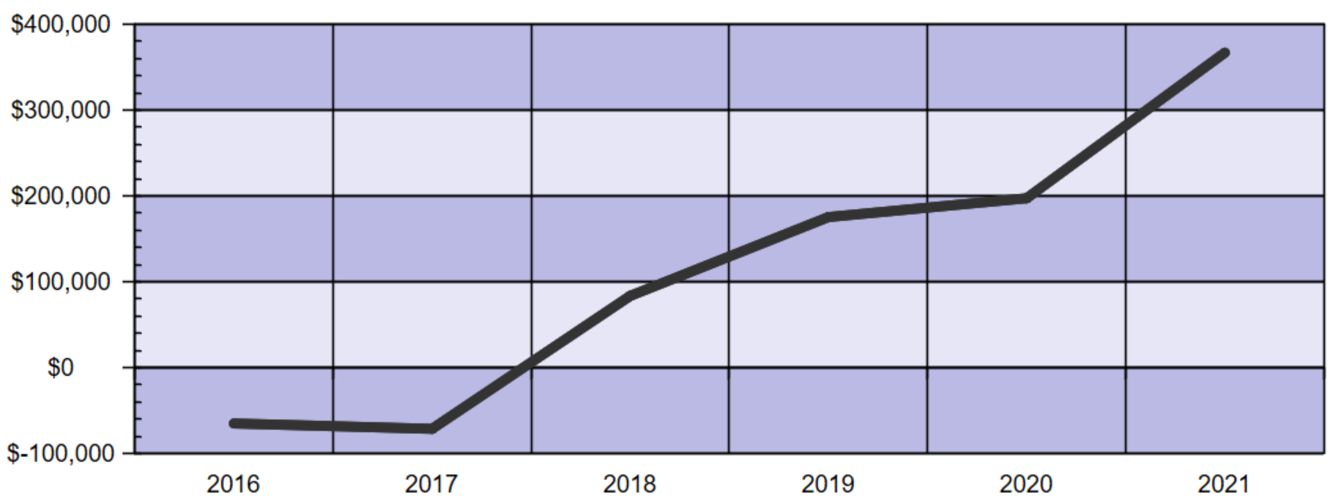
Categorical funding has steadily been reduced while numbers of at-risk students are increasing. The revenue has gone up, but the costs (expenses) have continued to go up due to inflation.Salaries for the teaching staff and support staff increased as well as natural gas, electricity, bus fuel, and other items contributed to the cost increases. Retirement costs have continued to increase.

We will have to continue to look for ways to reduce costs without impacting the educational and socioemotional needs of our students. We will also have to look at ways to increase our revenues.

We continue to have split grade classrooms rather than replacing teachers when they retire and we continue save on our administrator expenses by having only one administrator in a combined Superintendent/Principal position for the 2020/2021 school year. We have reduced classroom start up and supply orders.
We expect that our operations will continue to be affected by the ongoing outbreak of the coronavirus disease 2019 (COVID-19). The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the School District's financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to the School District's revenue, and absenteeism in the School District's labor workforce.

Following is a graph of the fund balance of the General Fund over the last five years.

Fund Balance Trend for the General Fund



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, please contact the Posen Consolidated School District No. 9's Business Office.

BASIC FINANCIAL STATEMENTS

Posen Consolidated School District #9

Statement of Net Position

June 30, 2021

		Governmental Activities
ASSETS		
Cash and investments	$	777,315
Intergovernmental receivable		226,800
Land		2,485
Capital assets less accumulated depreciation of $6,045,851		2,404,113
Total assets		3,410,713
DEFERRED OUTFLOWS OF RESOURCES		
Pension related		826,347
OPEB healthcare related		244,960
Refunding deferral		5,761
Total deferred outflows of resources		1,077,068
LIABILITIES		
Accrued and other liabilities		186,638
Accrued interest		867
Unearned revenue		145,442
Noncurrent liabilities:		
Bonds payable, due within one year		260,975
Net pension liability		4,410,316
OPEB healthcare liability		689,067
Total liabilities		5,693,305
DEFERRED INFLOWS OF RESOURCES		
Pension related		227,032
OPEB healthcare related		533,129
Total deferred inflows of resources		760,161
NET POSITION		
Net investment in capital assets		2,146,597
Restricted for:		
Food service		5,165
Debt service		45,569
Capital projects		233,017
Unrestricted		(4,396,033)
Total net position	$	(1,965,685)

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

Posen Consolidated School District #9

Statement of Activities

For the year ended June 30, 2021

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions/Programs:				
Governmental activities:				
Instruction	$ 1,726,178	$ -	$ 506,236	$ (1,219,942)
Support services	625,296	8,483	37,129	(579,684)
Food service	102,812	6,659	90,708	(5,445)
Athletics	99,860	-	-	(99,860)
Pupil activities	18,976	-	-	(18,976)
Interest on long-term debt	7,894	-	-	(7,894)
Depreciation (unallocated)	167,814	-	-	(167,814)
Total governmental activities	$ 2,748,830	$ 15,142	$ 634,073	(2,099,615)

General revenues:	
Taxes:	
Property taxes, levied for general operations	1,002,257
Property taxes, levied for debt service	233,640
Property taxes, levied for capital outlay	57,903
State of Michigan aid, unrestricted	748,083
Federal aid, unrestricted	143,606
Unrestricted investment earnings	2,446
Other revenues	20,990
Total general revenues	2,208,925
Change in net position	109,310
Net position-beginning	(2,080,817)
Prior period adjustment	5,822
Net position-beginning-restated	(2,074,995)
Net position-ending	$ (1,965,685)

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

Posen Consolidated School District #9

Governmental Funds

Balance Sheet

June 30, 2021

	General	Sinking	Nonmajor Funds Total	Total Governmental Funds
ASSETS				
Cash and investments	$ 469,692	$ 233,017	$ 74,606	$ 777,315
Due from other funds	499	-	-	499
Intergovernmental receivable	226,800	-	-	226,800
Total assets	$ 696,991	$ 233,017	$ 74,606	$ 1,004,614
LIABILITIES				
Accrued liabilities	186,638	-	-	186,638
Due to other funds	-	-	499	499
Unearned revenue	143,520	-	1,921	145,441
Total liabilities	330,158	-	2,420	332,578
FUND BALANCES				
Restricted:				
Food service	-	-	5,165	5,165
Debt service	-	-	45,569	45,569
Due to student groups	-	-	21,452	21,452
Capital projects	-	233,017	-	233,017
Unassigned	366,833	-	-	366,833
Total fund balances	366,833	233,017	72,186	672,036
Total liabilities and fund balances	$ 696,991	$ 233,017	$ 74,606	$ 1,004,614

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

Posen Consolidated School District #9

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2021

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

Total fund balances - governmental funds	$	672,036
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,406,597
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at June 30, 2021 were:		
Bonds payable		(260,975)
Refunding deferral		5,761
Net pension liability		(4,410,316)
OPEB healthcare liability		(689,067)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources:		
Pension related		826,347
OPEB healthcare related		244,960
Deferred inflows of resources:		
Pension related		(227,032)
OPEB healthcare related		(533,129)
Interest on long-term debt is accrued as a liability in the district-wide statements, but is not recognized in the governmental funds until due.		(867)
Net position of governmental activities	$	(1,965,685)

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

Posen Consolidated School District #9

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2021

	General	Sinking	Nonmajor Funds - Total	Total Governmental Funds
REVENUES				
Local sources	$ 1,116,679	$ 58,125	$ 256,122	$ 1,430,926
State sources	1,113,510	-	6,635	1,120,145
Federal sources	248,293	-	84,074	332,367
Incoming transfers and other transactions	-	-	-	-
Total revenues	2,478,482	58,125	346,831	2,883,438
EXPENDITURES				
Current:				
Instruction	1,571,895	-	-	1,571,895
Support services	640,917	-	18,976	659,893
Food service	-	-	102,812	102,812
Athletics	99,860	-	-	99,860
Debt service:				
Principal	-	-	260,000	260,000
Interest	-	-	10,900	10,900
Capital outlay	-	25,846	-	25,846
Total expenditures	2,312,672	25,846	392,688	2,731,206
Excess (deficiency) of revenues over expenditures	165,810	32,279	(45,857)	152,232
OTHER FINANCING SOURCES (USES)				
Transfers in	5,900	-	2,158	8,058
Transfers out	(2,158)	-	(5,900)	(8,058)
Total other financing sources (uses)	3,742	-	(3,742)	-
Net change in fund balances	169,552	32,279	(49,599)	152,232
Fund balances-beginning	191,459	200,738	121,785	513,982
Prior period adjustment	5,822	-	-	5,822
Fund balances-beginning, restated	197,281	200,738	121,785	519,804
Fund balances-ending	$ 366,833	$ 233,017	$ 72,186	$ 672,036

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

Posen Consolidated School District #9

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2021

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

Net change in fund balances - total governmental funds	$	152,232
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense		(167,814)
Capital outlay		36,570
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.		
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities, where it reduces long-term debt.		260,000
Amortization of bond premiums		2,140
Amortization of refunding deferral		864
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the pension expense is determined by the pension plan. This is the amount by which the pension expense exceeded the contributions.		(289,577)
Governmental funds report OPEB healthcare contributions as expenditures. However, in the statement of activities, the OPEB healthcare expense is determined by the plan. This is the amount by which the OPEB healthcare expense exceeded the contributions.		114,895
Change in net position of governmental activities	$	109,310

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Posen Consolidated School District #9 (the "School District") is located in Presque Isle County. The School District is governed by an elected seven-member Board of Education. The accounting policies of Posen Consolidated School District #9 conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity and which organizations are legally separate component units of the School District. The School District has no component units.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The School District has one fiduciary fund, the Agency Fund.

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, unrestricted State aid, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental funds:

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

The 2012 Debt Service Fund accounts for property taxes and other revenues to be used to pay principal, interest and fees related to long-term debt.

The Sinking Capital Projects Fund accounts for property tax proceeds and other revenues used to finance additions and improvements to the School District's buildings and facilities.

Additionally, the School District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Fund accounts for the School District's food service activity. Any operating deficit generated by this activity is the responsibility of the General Fund.

Fiduciary funds are used to account for assets held by the School District in a trustee capacity for individuals or school-related organizations. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

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

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 15th of the following year, at which time penalties and interest are assessed.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than $3,000. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles of the School District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and building improvements	20-50 years
Land improvements	20-30 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-10 years

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. They are pension related items and OPEB healthcare related items.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Use of Estimates

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

Other Financing Sources (Uses)

Transfers of cash between the various School District funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Net Position and Fund Balances

The difference between fund assets and liabilities is "Net Position" on the district-wide and fiduciary fund statements and "Fund Balances" on governmental fund statements. Net Position are classified as "Net investment in capital assets," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- Nonspendable--Amounts that cannot be spent either because they are (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- Restricted--Amounts with constraints placed on the use of resources because they are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed--Amounts that can be used only for specific purposes determined by a formal action by School Board resolution, and that remain binding unless removed in the same manner.
- Assigned--Amounts neither restricted nor committed for which a School District has a stated intended use as established by the School Board or a body or official to which the School Board has delegated the authority to assign amounts for specific purposes.
- Unassigned--Amounts that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the School District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Comparative Data/Reclassifications

Comparative data is not included in the School District's financial statements.

E. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and unrestricted State aid.

Property Taxes

The School District's 2017 ad valorem tax was levied and collectible on December 1. It is the School District's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Taxes are considered delinquent on February 15 of the following year, at which time penalties and interest are assessed.

F. Pension

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

G. Postemployment Benefits Other Than Pensions

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

F. Change in Accounting Principle

During the year ended June 30, 2021, the School District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by including accruals and ending net position to custodial funds not previously required. Beginning net position has been restated to reflect this change.

	Custodial Fund	
Net position, July 1, 2020, as previously reported	$	-
Change in accounting principle		24,626
Net Position, July 1, 2020, as restated	$	24,626

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan Law. State law permits districts to amend their budgets during the year. During the year, the budgets were amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts, etc.) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds

For the year ended June 30, 2021, expenditures exceeded appropriations in the following functions:

Fund and Function	Budget Appropriation	Actual Expenditure	Excess Expenditure
General Fund:			
Operating transfers out	$ 2,150	$ 2,158	$ 8

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of Federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

Deposits are carried at cost. The investment policy adopted by the Board, in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The School District's deposits and investment policy are in accordance with statutory authority.

As of June 30, 2021, the School District had the following deposits.

Michigan Liquid Asset Fund	$ 304,748
Calcite Credit Union	432,640
Citizens National Bank	47,660
Total	$ 785,048

At year end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and investments	$ 777,315	$	$ 777,315

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk of bank deposits. At year end, the bank balance of the School District's deposits is $785,048, of which $343,230 is covered by Federal depository insurance. The remaining $441,818 is uninsured and uncollateralized.

Interest Rate Risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Fair Value Hierarchy

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The School District owns no investments subject to the fair value measurement.

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities, for the year ended June 30, 2021, was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,485	$ -	$ -	$ 2,485
Capital assets, being depreciated:				
Land improvements	734,540	25,777	-	760,317
Buildings and improvements	6,521,660	6,850	-	6,528,510
Furniture and equipment	780,326	3,943	-	784,269
Vehicles	376,867	-	-	376,867
Total capital assets, being depreciated	8,413,393	36,570	-	8,449,963
Less accumulated depreciation for:				
Land improvements	705,818	4,387	-	710,205
Buildings and improvements	4,100,026	123,225	-	4,223,251
Furniture and equipment	723,182	13,876	-	737,058
Vehicles	349,011	26,326	-	375,337
Total accumulated depreciation	5,878,037	167,814	-	6,045,851
Total capital assets being depreciated, net	2,535,356	(131,244)	-	2,404,112
Governmental activities capital assets, net	$ 2,537,841	$ (131,244)	$ -	$ 2,406,597

Depreciation expense was not charged to specific activities as the School District considers its assets to impact multiple activities and allocation is not practicable.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

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

Due to/from other funds:

	Payable Fund		
Receivable Fund	**General**	**Food Service**	**Total**
General	$ -	$ 499	$ 499

The School District reports interfund balances between certain funds. The sum of all balances presented in the table above agrees with the sum of balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - INTERFUND TRANSFERS

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

Interfund transfers:

	Transfer Out Fund		
Transfer in Fund	**General**	**Food Service**	**Total**
General	$ -	$ 5,900	$ 5,900
Food Service	2,158	-	2,158
Total	$ 2,158	$ 5,900	$ 8,058

During the year, the General Fund transferred money to the Food Service Fund to support the Food Service Funds cash flows..

NOTE 7 - NOTES PAYABLE

The School District has no outstanding notes at year end of State Aid Anticipation notes. The School District intends to pay this obligation with State Aid received subsequent to year end.

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

	Beginning Balance	Additions	Reductions	Ending Balance
State Aid Note	$ 400,000	$ 377,000	$ 777,000	$ -

NOTE 8 - INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable, at June 30, 2021, consists of the following:

	District-wide
State aid	$ 206,753
Federal revenue	20,047
Total	$ 226,800

Amounts reported as intergovernmental receivable include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

NOTE 9 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and purchase contracts.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 520,000	$ -	$ 260,000	$ 260,000	$ 260,000
Bond premium	3,115	-	2,140	975	975
Total long-term debt	$ 523,115	$ -	$ 262,140	$ 260,975	$ 260,975

The annual requirement to amortize long-term debt outstanding, as of June 30, 2021, follows:

Year ended	Governmental Activities		
June 30,	Principal	Interest	Total
2022	$ 260,000	$ 5,200	$ 265,200

Governmental Activities

Bonds and notes payable, at June 30, 2021, were comprised of the following:

$1,575,000 2015 Refunding Bonds, due in annual installments of $110,000 to $280,000, through May 1, 2022: with interest at 2.00% net of premium	$ 260,000

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 11 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

Fund		Unearned
General	$	143,520
Food Service		1,921
Total	$	145,441

NOTE 12 - PENSION PLAN

General Information about the Michigan Public School Employees' Retirement System (MPSERS) pension plan

Plan Description

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

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

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

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

Benefits Provided

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

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

Contributions

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

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

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

Pension Contribution Rates

Benefit Structure	Member	Employer Universities	Employer Non-Universities
Basic	0.0 - 4.0 %	26.03 %	19.41 %
Member Investment Plan	3.0 - 7.0 %	26.03 %	19.41 %
Pension Plus	3.0 - 6.4 %	N/A	16.46 %
Pension Plus 2	6.2 %	N/A	19.59 %
Defined Contribution	0.0 %	19.74 %	13.39 %

Required contributions to the pension plan from the district were $352,831 for the year ended September 30, 2020.

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

At June 30, 2020, the district reported a liability of $4,410,316 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The district's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the district's proportion was 0.00012839 percent, which was an increase of 0.0001 percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the district recognized pension expense of $616,766. At June 30, 2021, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 67,386	$ 9,413
Changes of assumptions	488,705	-
Net difference between projected and actual earnings on pension plan investments	18,530	-
Changes in proportion and differences between district contributions and proportionate share of contributions	8,575	51,913
District contributions subsequent to the measurement date	243,151	165,706
Total	$ 826,347	$ 227,032

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ending September 30	Amount
2021	$ 224,328
2022	170,880
2023	95,882
2024	30,780

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:		September 30, 2019
Actuarial Cost Method		Entry Age, Normal
Wage Inflation Rate:		2.75%
Investment Rate of Return		
- MIP and Basic Plans		6.80%
- Pension Plus Plan		6.80%
- Pension Plus 2 Plan		6.00%
Projected Salary Increases:		2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:		3% Annual Non-Compounded for MIP Members
Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

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

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of Sept. 30, 2020, 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
Total	100.0	

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

Rate of Return

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

Discount Rate

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

Sensitivity of the district's proportionate share of the net pension liability to changes in the discount rate

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

1% Decrease 5.80% / 5.80% / 5.0%	Current Single Discount Rate Assumption 6.80% / 6.80% / 6.0%	1% Increase 7.80% / 7.80% /7.0%
$ 5,708,405	$ 4,410,316	$ 3,334,488

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

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the Michigan Public School Employees' Retirement System (MPSERS) OPEB plan

Plan Description

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

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

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

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

Benefits Provided

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

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

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

Contributions

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

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

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

OPEB Contribution Rates

		Employer	
Benefit Structure	**Member**	**Universities**	**Non-Universities**
Premium Subsidy	3.00 %	6.57 %	8.09 %
Personal Healthcare Fund (PHF)	0.00 %	5.99 %	7.57 %

Required contributions to the OPEB plan from the district were $90,875 for the year ended September 30, 2020

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

At June 30, 2021, the district reported a liability of $689,067 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The district's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the district's proportion was 0.00012862 percent, which was an increase of 0.3343 percent from its proportion measured as of October 1, 2019.

For the year ended June 30, 2021, the district recognized OPEB expense of $(24,996). At June 30, 2021, the district reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 513,419
Changes of assumptions	227,199	-
Net difference between projected and actual earnings on OPEB plan investments	5,751	-
Changes in proportion and differences between district contributions and proportionate share of contributions	5,181	19,710
District contributions subsequent to the measurement date	6,829	-
Total	$ 244,960	$ 533,129

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses)	
Year Ending September 30	**Amount**
2020	$ (82,107)
2021	(74,400)
2022	(59,431)
2023	(43,902)
2024	(35,158)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:		September 30, 2019
Actuarial Cost Method		Entry Age, Normal
Wage Inflation Rate:		2.75%
Investment Rate of Return:		6.95%
Projected Salary Increases:		2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:		7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:		
Opt-Out Assumptions		21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage		80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement		75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the Sept. 30, 2017 valuation. The total OPEB liability as of Sept. 30, 2020, is based on the results of an actuarial valuation date of Sept. 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.6018 for non-university employers or 1.3472 for university employers].
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
Private Equity Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Real Return/Opportunistic Pools	-	-
Short Term Investment Pools	2.0	0.8
Total	100.0	

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

Rate of Return

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

Discount Rate

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
$ 885,184	$ 689,067	$ 523,952

Sensitivity of the district's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 517,630	$ 689,067	$ 884,055

OPEB Plan Fiduciary Net Position

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

NOTE 14 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Post-Employment Benefits - Retirees have the option of health coverage, which is currently funded on a cash disbursement basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than $18,000 in the prior school fiscal year and members who were hired on or after July 1, 2010, with a starting salary less than $18,000 are required to contribute 1.5% of the member's compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account.

For District employees first employed under the system after September 3, 2012 or those electing to choose the benefit during a special election period ended February 1, 2013, a Personal Healthcare Fund (PHF) is set up. Automatic 2% employee contributions to a 456 account along with a 2% employer match will be placed in a 401 (k) account. This creates a portable, tax-deferred fund for the individual. No postemployment benefits are available for those employees.

Funding Responsibility - The District is not responsible for the payment of post-employment benefits which is the responsibility of the State of Michigan.

NOTE 15 - SUBSEQUENT EVENTS

The School District’s operations may continued be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the School District’s financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to the School District’s customers and revenue, absenteeism in the School District’s labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the School District, including inventories, property and equipment, and marketable securities.

NOTE 16 - PROPERTY TAX ABATEMENTS

Act 198, the Plant Rehabilitation and Industrial Development Districts Act, was adopted in the State of Michigan as a means of providing a stimulus in the form of significant tax incentives to industry for the purpose of creating new jobs and maintaining existing jobs. It allows an obsolete property, when replaced or restored, to have its assessed value frozen at the level prior to the improvement for a maximum of twelve years; and new plants to receive a fifty percent exemption from property tax on the taxable value of new real and personal properties, also for a maximum period of twelve years.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

No significant abatements have been made that would affect the District.

REQUIRED SUPPLEMENTAL INFORMATION

Posen Consolidated School District #9

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2021

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance With Final Budget**
REVENUES				
Local sources	$ 1,020,861	$ 1,068,750	$ 1,059,085	$ (9,665)
State sources	1,041,573	1,064,803	1,113,510	48,707
Federal sources	179,793	271,396	248,293	(23,103)
Other local revenue	54,131	59,630	57,594	(2,036)
Total revenues	2,296,358	2,464,579	2,478,482	13,903
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,301,476	1,367,950	1,322,253	45,697
Added needs	295,855	269,165	249,642	19,523
Support services:				
General administration	175,946	184,656	174,959	9,697
School administration	113,889	118,060	112,896	5,164
Business services	65,813	67,204	64,454	2,750
Operations and maintenance	197,340	188,708	173,727	14,981
Pupil transportation	117,316	165,001	81,094	83,907
Central support services	31,600	34,586	33,787	799
Athletics	89,320	112,241	99,861	12,380
Total expenditures	2,388,555	2,507,571	2,312,673	194,898
Excess (deficiency) of revenues over expenditures	(92,197)	(42,992)	165,809	208,801
OTHER FINANCING SOURCES (USES)				
Operating transfers in	10,000	10,000	5,900	(4,100)
Operating transfers out	(1,210)	(2,150)	(2,158)	(8)
Total other financing sources (uses)	8,790	7,850	3,742	(4,108)
Net change in fund balances	(83,407)	(35,142)	169,551	204,693
Fund balances-beginning	191,459	191,459	191,459	-
Prior period adjustment	5,446	5,822	5,822	-
Fund balances-beginning, restated	196,905	197,281	197,281	-
Fund balances-ending	$ 113,498	$ 162,139	$ 366,832	$ 204,693

Posen Consolidated School District #9

Required Supplemental Information

June 30, 2021

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability

Michigan Public Schools Employees Retirement Plan

Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2020	2019	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.00012839 %	0.00012803 %	0.00012869 %	0.00013165 %	0.00013778 %	0.00013090 %	0.00012740 %
Reporting unit's proportionate share of net pension liability	$ 4,410,316	$ 4,240,009	$ 3,868,642	$ 3,411,510	$ 3,437,553	$ 3,197,395	$ 2,806,256
Reporting unit's covered employee payroll	$ 1,129,107	$ 1,114,191	$ 1,091,888	$ 1,067,955	$ 1,119,016	$ 1,142,105	$ 1,118,714
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	390.60 %	380.55 %	354.31 %	319.44 %	307.19 %	279.96 %	250.85 %
Plan fiduciary net position as a percentage of total pension liability	59.72 %	60.31 %	62.36 %	64.21 %	63.27 %	63.17 %	66.20 %

Schedule of the Reporting Unit's Contributions

Michigan Public Schools Employees Retirement Plan

Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 352,831	$ 340,124	$ 350,424	$ 308,780	$ 261,438	$ 266,518	$ 245,920
Contributions in relation to statutorily required contributions	352,831	340,124	350,424	308,780	261,438	266,518	245,920
Contribution deficiency (excess)	-	-	-	-	-	-	-
Reporting unit's covered-employee payroll	$ 1,133,754	$ 1,128,901	$ 1,109,966	$ 1,102,976	$ 1,135,280	$ 1,191,191	$ 1,143,406
Contributions as a percentage of covered-employee payroll	31.12 %	30.13 %	31.57 %	28.00 %	23.03 %	22.37 %	21.51 %

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms during the plan year ending 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in FY 2020.

Posen Consolidated School District #9

Required Supplemental Information

June 30, 2021

Schedule of the District's Proportionate Share of the Net OPEB Liability

Michigan Public Schools Employees Retirement Plan

Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2020	2019	2018	2017
District's proportion of net OPEB liability (%)	0.00012862 %	0.00012819 %	0.00012831 %	0.00013258 %
District's proportionate share of net OPEB liability	$ 689,067	$ 920,118	$ 1,019,914	$ 1,174,094
District's covered payroll (OPEB)	$ 1,129,107	$ 1,114,191	$ 1,091,888	$ 1,067,955
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%)	61.03 %	82.58 %	93.41 %	109.94 %
Plan fiduciary net position as a percentage of total OPEB liability	60.39 %	48.46 %	42.95 %	36.39 %

Schedule of the District's OPEB Contributions

Michigan Public Schools Employees Retirement Plan

Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2021	2020	2019	2018
Statutorily required contributions	$ 90,875	$ 88,106	$ 83,284	$ 103,222
Contributions in relation to statutorily required contributions	90,875	88,106	83,284	103,222
Contribution deficiency (excess)	-	-	-	-
Reporting units covered-employee payroll	$ 1,133,754	$ 1,128,901	$ 1,109,966	$ 1,102,976
Contributions as a percentage of covered-employee payroll	8.02 %	7.80 %	7.50 %	9.36 %

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms during the plan year ending 2019.
Changes of benefit assumptions: There were no changes of benefit assumptions in FY 2020.

Other Supplemental Information

Posen Consolidated School District #9

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2021

	Special Revenue			
	Food Service	Student Activities	2012 Debt Service	Total
ASSETS				
Cash	$ 7,585	$ 21,452	$ 45,569	$ 74,606
Total assets	7,585	21,452	45,569	74,606
LIABILITIES				
Due to other funds	499	-	-	499
Unearned revenue	1,921	-	-	1,921
Total liabilities	2,420	-	-	2,420
FUND BALANCES				
Nonspendable:				
Restricted:				
Due to student groups	-	21,452	-	21,452
Debt service	-	-	45,569	45,569
Unassigned	5,165	-	-	5,165
Total fund balances	5,165	21,452	45,569	72,186
Total liabilities and fund balances	$ 7,585	$ 21,452	$ 45,569	$ 74,606

Posen Consolidated School District #9

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2021

	Special Revenue			
	Food Service	**Student Activities**	**2012 Debt Service**	**Total**
REVENUES				
Local sources	$ 6,659	$ 15,802	$ 233,661	$ 256,122
State sources	6,635	-	-	6,635
Federal sources	84,074	-	-	84,074
Total revenues	97,368	15,802	233,661	346,831
EXPENDITURES				
Food service	102,812	-	-	102,812
Other support services	-	18,976	-	18,976
Principal	-	-	260,000	260,000
Interest	-	-	10,900	10,900
Total expenditures	102,812	18,976	270,900	392,688
Excess (deficiency) of revenues over expenditures	(5,444)	(3,174)	(37,239)	(45,857)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,158	-	-	2,158
Transfers out	(5,900)	-	-	(5,900)
Net change in fund balances	(9,186)	(3,174)	(37,239)	(49,599)
Fund balances-beginning	14,351	24,626	82,808	121,785
Fund balances-ending	$ 5,165	$ 21,452	$ 45,569	$ 72,186

AUDITORS' REPORTS

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 School Board
Posen Consolidated School District #9

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 Posen Consolidated School District #9, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Posen Consolidated School District #9's basic financial statements and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Posen Consolidated School District #9's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Posen Consolidated School District #9's internal control. Accordingly, we do not express an opinion on the effectiveness of Posen Consolidated School District #9's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Posen Consolidated School District #9's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Very truly yours,

Morgan & Associates CPAs & Advisors
Grand Rapids, MI
October 27, 2021

October 27, 2021

To the School Board
Posen Consolidated School District #9

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Posen Consolidated School District #9 for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 27, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Posen Consolidated School District #9 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used to calculate the net pension and net OPEB liabilities. We evaluated the key factors and assumptions used to develop the net pension and net OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the lives of capital assets is based on management's experience and estimates, and the net pension liability is based on an actuarial valuation of the entire Michigan Public School Employees Retirement System. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Restriction on Use

This information is intended solely for the use of the School Board and management of Posen Consolidated School District #9 and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Morgan & Associates CPAs & Advisors
Grand Rapids, MI

October 27, 2021

To the School Board
Posen Consolidated School District #9

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Posen Consolidated School District #9 as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Posen Consolidated School District #9's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Posen Consolidated School District #9's internal control. Accordingly, we do not express an opinion on the effectiveness of Posen Consolidated School District #9's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Finding 2021-001: The district does not maintain it's own records for fixed assets and depreciation. This can cause issues with budgeting and planning as it relates to depreciation and capital purchases being misclassified.

This communication is intended solely for the information and use of management, and others within Posen Consolidated School District #9, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

William T Morgan CPA

Morgan & Associates CPAs & Advisors
Grand Rapids, MI

Finding 2021-001 - Capital Assets

Type: Significant Deficiency

Criteria: It is the responsibility of the District to update the capital assets listing for additions and deletions. For the governmental funds, assets purchased during the year and recorded as capital outlay should equal the additions to the capital asset records. Depreciation for governmental capital assets should be recorded on the capital asset schedule. Disposals should equal the reductions to the capital asset records.

Statement of Condition: The District does not maintain adequate internal controls for capital assets and a capital asset listing is not maintained in accordance with generally accepted accounting principles. The balances reported in the District's audit report are maintained by the District's auditor.

Effect: The District cannot readily determine or value the assets owned by the District.

Cause: The District has relied upon its auditors to update and maintain the listing.

Auditor's Recommendation: We recommend that the District implement procedures to record the assets and depreciation expense as listed above.

District's Response: It would be most cost effective for the Auditor to continue to maintain the capital asset listing while the District appoint an official to review the list to ensure it is complete and correct.

POSEN CONSOLIDATED SCHOOL DISTRICT No. 9
P.O. BOX 187
10575 MICHIGAN AVENUE POSEN, MICHIGAN 49776
(989) 766-2471 • FAX (989) 766-2519 • (989) 766-2573

October 27, 2021

Corrective Action Plan

This letter is the school district's response to the audit findings reported for the 2020/21 yearend financial statements for Posen Consolidated School District.

Finding: 2021-001

Type: Significant Deficiency

Responsible person: Deb Reese, Finance Consultant

Condition: The District does not maintain adequate internal controls for capital assets and a capital asset listing is not maintained in accordance with generally accepted accounting principles. The balances reported in the district's audit report are maintained by the district's auditor.

Targeted completion date: October 27, 2021

Comments: It is more cost effective to allow the auditor to continue to maintain the capital asset listing, the district will appoint an official to ensure that the listing is correct and complete. An official will be appointed immediately. There are no questioned costs related to this finding.

Very truly yours,

Posen Consolidated School District