Saline Area Schools

Financial Report
with Supplemental Information
June 30, 2021

Contents

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Independent Auditor's Report

To the Board of Education
Saline Area Schools

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 Saline Area Schools (the "School District") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Saline Area Schools' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, as of July 1, 2020, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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To the Board of Education
Saline Area Schools

Other Matters

Required Supplemental Information

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

Other Supplemental Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021 on our consideration of Saline Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Saline Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saline Area Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 22, 2021

This section of the annual financial report for Saline Area Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2021. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Saline Area Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund and the 2016 Building and Site Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net position and the statement of changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for the benefit of others. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, “As a whole, what is the School District's financial condition as a result of the year's activities?” The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

Governmental Funds

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

Fiduciary Funds

The School District has certain fiduciary responsibility for its custodial funds. All of the School District's fiduciary activities are reported in the separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
Assets		
Current and other assets	$ 44.8	$ 23.8
Capital assets	158.4	162.0
Total assets	203.2	185.8
Deferred Outflows of Resources	40.1	50.1
Liabilities		
Current liabilities	18.5	15.4
Noncurrent liabilities	125.2	123.8
Net pension liability	130.3	130.6
Net OPEB liability	19.9	28.1
Total liabilities	293.9	297.9
Deferred Inflows of Resources	25.2	21.2
Net Position (Deficit)		
Net investment in capital assets	50.7	45.4
Restricted	0.6	0.6
Unrestricted	(127.1)	(129.2)
Total net position (deficit)	**$ (75.8)**	**$ (83.2)**

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net deficit was $(75.8) million at June 30, 2021. Net investment in capital assets totaling $50.7 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations.

The $(127.1) million in unrestricted net deficit of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities from the state-managed retirement system), which is driving the substantial negative net position. The operating results of the General Fund and the change in the net pension and OPEB liabilities will have significant impacts on the change in unrestricted net position from year to year.

As required by the Governmental Accounting Standards Board, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. This standard provides guidance on the identification and reporting of fiduciary activities and required the district to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2020 beginning net position by $1,027,070, which represents the activities that used to be reported as fiduciary but are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2021 and statement of activities for the year ended June 30, 2021 include all the balances and transactions for those activities that used to be reported as fiduciary but are now reported as governmental. All school districts were required to adopt this new standard.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
Revenue		
Program revenue:		
Charges for services	$ 1.3	$ 2.8
Operating grants and contributions	27.6	24.2
General revenue:		
Property taxes	25.1	23.8
State foundation allowance	33.7	33.2
Other	2.4	1.5
Total revenue	90.1	85.5
Expenses		
Instruction	40.6	43.7
Support services	26.1	25.7
Athletics	1.2	1.2
Food services	1.4	1.6
Community services	2.5	3.3
Other	0.3	0.2
Interest on long-term debt	5.0	4.6
Depreciation expense (unallocated)	6.6	7.2
Total expenses	83.7	87.5
Change in Net Position	6.4	(2.0)
Net Position (Deficit) - Beginning of year, as restated	(82.2)	(81.2)
Net Position (Deficit) - End of year	**$ (75.8)**	**$ (83.2)**

As reported in the statement of activities, the cost of all of our governmental activities this year was $83.7 million. Certain activities were partially funded from those who benefited from the programs ($1.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($27.6 million). We paid for the remaining public benefit portion of our governmental activities with $25.1 million in taxes, $33.7 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of $6.4 million. This increase in net position was primarily due to additional federal and state funding in response to the COVID-19 pandemic and related changes to the School District's operations.

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

Due to the COVID-19 pandemic affecting the entire fiscal year, there were some significant changes to our finances. Education was happening via many different methods throughout the year. This caused many typical expenses to pivot and initiatives to be put on hold. For example, no students were bussed on asynchronous Fridays, yet the district utilized more online tools to communicate and support the asynchronous learning times. In addition, staffing all of our positions became a struggle, and some positions went unfilled. On the other side, our revenue was supported by a variety of one-time federal and state COVID-19 funding support. These grants were critical to take pressure off of schools and to provide the confidence to make critical decisions related to getting students back into classrooms. Though we realized some one-time savings due to the reduction of expenditures and received one-time revenue, we anticipate the economic conditions will continue to be volatile, which may significantly impact future funding. Based on past experience from our last economic downturn, we would anticipate that schools may feel the effects in the years to come.

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of $27.1 million, which is an increase of $17.2 million from last year.

In the General Fund, our principal operating fund, the fund balance increased by $5.3 million largely due to the reduction in expenditures and additional one-time federal and state funding resulting from the statewide school closure due to the COVID-19 pandemic.

Combined, the fund balance of our special revenue funds increased from $1.7 million last year to $2.3 million this year mainly due to increases in the Food Service Fund due to increased reimbursement for meals and reduced expenditures in the Vocational Education Fund. With the adoption of GASB 84, the School District created the Student Activities special revenue fund to account for activities previously reported as fiduciary funds. The effect of the adoption was to increase July 1, 2020 beginning fund balance by $1.0 million. Special revenue funds now include four funds with the addition of the Student Activities Fund, in addition to the Community Services and Programs Fund, Food Service Fund, and Vocational Education Fund.

Combined, the fund balance of our debt service funds remained flat from last year at $0.4 million. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are restricted since they can only be used to pay debt service obligations.

Combined, the fund balance of our capital projects funds increased from $3.7 million last year to $14.9 million this year. This increase is primarily due to the issuance of the third series of the Building and Site Bond received during the fiscal year with minimal expenses incurred prior to year end. The School District collected $0.67 million in voter-approved Sinking Fund millage. This millage is available to fund specific capital projects allowed by state law and approved by the voters.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2021. A schedule showing the School District’s original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information section of these financial statements.

There were significant revisions made to the 2020-2021 General Fund budgeted revenue. Similar to all school districts in the state, we had to adopt a budget by June 30 even though the state budget was not yet set. There were many proposals that were further apart than they had been in many years, which left schools to make a best guess at that time, knowing they would need to amend the budget when more items were known. In addition, it was unknown how our student count would be affected, and it was evident that parents would be making that decision closer to the start of school based on many different factors. Also, there were many discussions about one-time funding that schools would likely receive, but not knowing how and when the additional funding would be received and what it could be spent on made budgeting difficult and resulted in significant amendments.

There were also significant revisions made to the 2020-2021 General Fund budgeted expenditures. Similar to revenue, expenditures were affected by many of the factors listed in the preceding paragraph. The School District had to put a budget in place without knowing what the revenue and student count would be, so it had to be prepared to pivot quickly as this information developed. Many different models required different materials, and COVID-19 cleaning, masking, and distancing protocols were always changing. With changes to each of these areas came changes to expenditures as well.

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the School District had $158.4 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately $3.6 million from last year.

	2021	2020
Land	$ 12,391,681	$ 12,391,681
Buildings and improvements	221,501,539	219,533,068
Furniture and equipment	36,640,237	35,653,351
Buses and other vehicles	3,695,248	4,030,539
Total capital assets	274,228,705	271,608,639
Less accumulated depreciation	115,837,132	109,573,500
Total capital assets - Net of accumulated depreciation	**$ 158,391,573**	**$ 162,035,139**

This year's additions of $3.0 million were primarily due to building improvements, furniture, and equipment. Capital projects planned for the 2021-2022 fiscal year include the continuation of the projects begun during 2020-2021. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had $96.7 million in bonds outstanding versus $98.3 million in the previous year - a change of 1.6 percent. Those bonds consisted of the following:

	2021	2020
General obligation bonds	$ 96,725,000	$ 98,345,000

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District’s boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District’s outstanding unqualified general obligation debt is significantly below this statutorily imposed limit.

Other obligations include School Loan Revolving Funds and compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2021-2022 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2021-2022 budget was adopted in June 2021 based on an estimate of students who will enroll in September 2021. Approximately 63 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2021 school year, we anticipate that the fall student count will be less than the estimates used in creating the 2020-21 budget but that the per pupil foundation allowance will be greater. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of $567 per pupil. The increase in per pupil funding is expected to be somewhat offset by the reduction in student count, resulting in an insignificant increase in the School District's foundation allowance revenue. The most significant factor in the 2021-2022 school year will be other COVID-19 funding.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the finance office.

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash and cash equivalents (Note 4)	$ 19,926,406
Receivables:	
Other receivables	801,714
Due from other governments	8,918,410
Inventory	89,413
Prepaid expenses and other assets	138,599
Restricted assets (Note 10)	14,888,143
Capital assets - Net (Note 6)	158,391,573
Total assets	203,154,258
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 9)	2,755,917
Deferred pension costs (Note 12)	27,815,804
Deferred OPEB costs (Note 12)	9,518,529
Total deferred outflows of resources	40,090,250
Liabilities	
Accounts payable	873,389
Due to other governmental units	1,316,832
Accrued liabilities and other	4,687,763
State aid anticipation note (Note 8)	9,974,875
Unearned revenue (Note 5)	1,582,396
Noncurrent liabilities: (Notes 9 and 12)	
Due within one year	9,456,698
Due in more than one year	115,747,712
Net pension liability	130,341,366
Net OPEB liability	19,875,332
Total liabilities	293,856,363
Deferred Inflows of Resources	
Other deferred inflows (Note 12)	4,827,096
Deferred pension cost reductions (Note 12)	3,641,390
Deferred OPEB cost reductions (Note 12)	16,727,408
Total deferred inflows of resources	25,195,894
Net Position (Deficit)	
Net investment in capital assets	50,724,809
Restricted - Capital projects	634,400
Unrestricted	(127,166,958)
Total net position (deficit)	**$ (75,807,749)**

Statement of Activities

Year Ended June 30, 2021

		Program Revenue		Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 40,603,527	$ 21,795	$ 17,042,382	$ (23,539,350)
Support services	26,077,446	-	9,176,668	(16,900,778)
Athletics	1,224,600	35,730	-	(1,188,870)
Food services	1,416,545	76,624	1,423,856	83,935
Community services	2,641,652	1,147,369	-	(1,494,283)
Interdistrict payments	100,585	-	-	(100,585)
Interest	4,869,636	-	-	(4,869,636)
Other	144,215	-	-	(144,215)
Depreciation expense (unallocated)	6,618,923	-	-	(6,618,923)
Total primary government	**$ 83,697,129**	**$ 1,281,518**	**$ 27,642,906**	(54,772,705)

General revenue:	
Taxes:	
Property taxes levied for general purposes	7,635,151
Property taxes levied for debt service	15,866,298
Property taxes levied for Sinking Fund	671,536
Property taxes levied for community services	936,469
State aid not restricted to specific purposes	33,687,142
Interest and investment earnings	64,126
Penalties, interest, and other taxes	22,704
Other:	
Student activities	1,645,795
Other	635,862
Total general revenue	61,165,083
Change in Net Position	6,392,378
Net Position - Beginning of year (as restated) (Note 2)	(82,200,127)
Net Position - End of year	**$ (75,807,749)**

Governmental Funds Balance Sheet

June 30, 2021

	General Fund	2016 Building and Site Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 4)	$ 18,035,274	$ -	$ 1,891,132	$ 19,926,406
Receivables:				
Other receivables	96,005	-	698,666	794,671
Due from other governments	8,918,410	-	-	8,918,410
Due from other funds (Note 7)	173,135	-	852,471	1,025,606
Inventory	35,937	-	53,476	89,413
Prepaid expenses and other assets	137,824	-	775	138,599
Restricted assets (Note 10)	-	13,356,314	1,531,829	14,888,143
Total assets	**$ 27,396,585**	**$ 13,356,314**	**$ 5,028,349**	**$ 45,781,248**
Liabilities				
Accounts payable	$ 390,686	$ 85,038	$ 397,665	$ 873,389
Due to other governmental units	1,316,832	-	-	1,316,832
Due to other funds (Note 7)	842,471	-	176,092	1,018,563
Accrued liabilities and other	3,941,960	-	86	3,942,046
State aid anticipation note (Note 8)	9,974,875	-	-	9,974,875
Unearned revenue (Note 5)	1,474,270	-	108,126	1,582,396
Total liabilities	17,941,094	85,038	681,969	18,708,101
Fund Balances				
Nonspendable - Inventory and prepaid costs	173,761	-	54,251	228,012
Restricted:				
Debt service	-	-	381,810	381,810
Capital projects	-	13,271,276	-	13,271,276
Food service	-	-	215,430	215,430
Community service	-	-	490,736	490,736
Sinking fund	-	-	1,099,803	1,099,803
Vocational education	-	-	392,125	392,125
Committed - Student activities	-	-	1,153,470	1,153,470
Assigned:				
Subsequent year's budget	2,499,576	-	-	2,499,576
Capital projects	-	-	558,755	558,755
Unassigned	6,782,154	-	-	6,782,154
Total fund balances	9,455,491	13,271,276	4,346,380	27,073,147
Total liabilities and fund balances	**$ 27,396,585**	**$ 13,356,314**	**$ 5,028,349**	**$ 45,781,248**

See notes to financial statements.

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

	June 30, 2021
Fund Balances Reported in Governmental Funds	$ 27,073,147
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	274,228,705
Accumulated depreciation	(115,837,132)
Net capital assets used in governmental activities	158,391,573
Deferred outflows related to deferred charges on bond refundings are not reported in the governmental funds	2,755,917
Bonds payable and loan obligations are not due and payable in the current period and are not reported in the funds	(124,525,205)
Accrued interest is not due and payable in the current period and is not reported in the funds	(745,717)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences and early retirement incentives	(679,205)
Net pension liability and related deferred inflows and outflows	(106,166,952)
Net OPEB liability and related deferred inflows and outflows	(27,084,211)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(4,827,096)
Net Position (Deficit) of Governmental Activities	**$ (75,807,749)**

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

	General Fund	2016 Building and Site Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	$ 8,073,168	$ 1,541	$ 20,684,750	$ 28,759,459
State sources	45,264,336	-	1,030,250	46,294,586
Federal sources	3,371,839	-	1,804,447	5,176,286
Interdistrict sources	9,474,514	-	888,234	10,362,748
Total revenue	66,183,857	1,541	24,407,681	90,593,079
Expenditures				
Current:				
Instruction	37,024,712	-	730,051	37,754,763
Support services	22,218,524	260	2,108,775	24,327,559
Athletics	1,162,629	-	-	1,162,629
Food services	-	-	1,368,321	1,368,321
Community services	14,966	-	2,506,897	2,521,863
Debt service:				
Principal	-	-	13,525,000	13,525,000
Interest	63,025	-	4,741,938	4,804,963
Other	-	142,215	2,000	144,215
Capital outlay	91,450	2,567,956	641,622	3,301,028
Interdistrict payments	-	-	100,585	100,585
Total expenditures	60,575,306	2,710,431	25,725,189	89,010,926
Excess of Revenue Over (Under) Expenditures	5,608,551	(2,708,890)	(1,317,508)	1,582,153
Other Financing Sources (Uses)				
Face value of debt issued	-	11,905,000	-	11,905,000
Premium on debt issued	-	1,643,959	-	1,643,959
School Bond Loan Revolving Fund proceeds	-	-	2,075,000	2,075,000
Transfers in (Note 7)	-	-	300,000	300,000
Transfers out (Note 7)	(300,000)	-	-	(300,000)
Total other financing (uses) sources	(300,000)	13,548,959	2,375,000	15,623,959
Net Change in Fund Balances	5,308,551	10,840,069	1,057,492	17,206,112
Fund Balances - Beginning of year (as restated) (Note 2)	4,146,940	2,431,207	3,288,888	9,867,035
Fund Balances - End of year	**$ 9,455,491**	**$ 13,271,276**	**$ 4,346,380**	**$ 27,073,147**

See notes to financial statements.

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

Year Ended June 30, 2021

Net Change in Fund Balances Reported in Governmental Funds	$ 17,206,112
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	2,975,357
Depreciation expense	(6,618,923)
Revenue in support of pension contributions made subsequent to the measurement date	(503,572)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(15,623,959)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	13,680,397
Interest expense is recognized in the government-wide statements as it accrues	(220,070)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(4,502,964)
Change in Net Position of Governmental Activities	**$ 6,392,378**

See notes to financial statements.

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2021

	Private Purpose Trust Fund
Assets - Cash and cash equivalents	$ 133,950
Liabilities	
Accounts payable	4,500
Due to other funds (Note 7)	7,043
Total liabilities	11,543
Net Position	**$ 122,407**

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	Private Purpose Trust Fund
Additions - Interest	$ 625
Deductions	5,767
Net Decrease in Net Position	(5,142)
Net Position - Beginning of year	127,549
Net Position - End of year	**$ 122,407**

See notes to financial statements.

Note 1 - Nature of Business

Saline Area Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity and which organizations are legally separate component units of the School District. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives, the government-wide perspective and the fund-based perspective. The government-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 and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Note 2 - Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used.

<u>Governmental Funds</u>

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 2016 Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for remodeling, furnishing, and equipping school buildings and sites; purchasing school buses; and purchasing computing devices and classroom technology. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Note 2 - Significant Accounting Policies (Continued)

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District maintains a private purpose trust fund that is used to account for resources legally held for others, including contributions received by the School District to be awarded in the form of scholarships.

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and fiduciary funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include 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, except for investments in external investment pools, which are valued at amortized cost.

Receivables and Payables

In general, outstanding balances between funds are reported as due to/from other funds.

All trade receivables, primarily intergovernmental receivables, are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories, including United States Department of Agriculture Commodities inventory received by the Food Service Fund, are recorded as expenditures when consumed rather than purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The unspent bond proceeds and related interest of the capital projects funds require amounts to be set aside for construction. In addition, the unspent property taxes levied in the debt service funds and Sinking Fund are required to be set aside for future bond principal and interest and approved Sinking Fund projects, respectively. These amounts have been classified as restricted assets.

Note 2 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	20 to 50
Furniture and equipment	5 to 20
Buses and other vehicles	8

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The School District reports deferred outflows of resources related to deferred charges on bond refundings and deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Note 2 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the superintendent to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential either to remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year for 100 percent of the taxes that are due on August 31. Tax collections are forwarded to the School District as they are collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Note 2 - Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit (OPEB) Plans

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

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee’s compensation are used to liquidate the obligations.

Use of Estimates

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

Adoption of New Accounting Pronouncement

During the current year, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, student activities were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within a nonmajor governmental special revenue fund.

The effect of this new standard on fund balance/net position was as follows:

	Governmental Activities	Nonmajor Funds
Net position (deficit)/fund balance - June 30, 2020 - As previously reported	$ (83,227,197)	$ 2,261,818
Adjustment for GASB Statement No. 84 - To change fund type	1,027,070	1,027,070
Net position (deficit)/fund balance - June 30, 2020 - As restated	$ (82,200,127)	$ 3,288,888

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the School District's financial statements for the year ended June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

Note 3 - 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 Fund and all special revenue funds except that the General Fund budget includes capital outlay in the function category. 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 budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services are rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

The 2016 Building and Site Fund records capital project activities funded with bonds issued after May 1, 1994. For this fund, the School District has complied with the applicable provisions of §1351a of the State of Michigan’s School Code.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2016 Building and Site Fund. The project for which the Series II bonds were issued was considered complete on June 30, 2021, and the cumulative expenditures recognized for the construction period were $14,169,100.

The 2010 Sinking Fund capital project activities are funded with Sinking Fund millage. For this fund, authorized prior to March 29, 2017, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code.

The 2018 Sinking Fund capital project activities are funded with Sinking Fund millage. For this fund, authorized after March 29, 2017, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code.

Note 4 - 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 offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

The School District has designated two banks for the deposit of its funds.

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

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

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's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits. At year end, the School District had bank deposits of $20,167,124 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2021, the School District does not have investments with custodial credit risk.

Credit Risk

State law limits investments in commercial paper 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. As of June 30, 2021, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Michigan Liquid Asset Fund	$ 13,356,306	AAAm	Standard & Poor's

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2021, the School District had no unavailable revenue and $1,582,396 of unearned revenue, primarily related to grant and categorical aid received prior to meeting all eligibility requirements.

Note 6 - Capital Assets

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

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated - Land	$ 12,391,681	$ -	$ -	$ 12,391,681
Capital assets being depreciated:				
Buildings and improvements	219,533,068	1,968,471	-	221,501,539
Furniture and equipment	35,653,351	986,886	-	36,640,237
Buses and other vehicles	4,030,539	20,000	(355,291)	3,695,248
Subtotal	259,216,958	2,975,357	(355,291)	261,837,024
Accumulated depreciation:				
Buildings and improvements	76,793,260	4,897,137	-	81,690,397
Furniture and equipment	29,540,157	1,558,651	-	31,098,808
Buses and other vehicles	3,240,083	163,135	(355,291)	3,047,927
Subtotal	109,573,500	6,618,923	(355,291)	115,837,132
Net capital assets being depreciated	149,643,458	(3,643,566)	-	145,999,892
Net governmental activities capital assets	$ 162,035,139	$ (3,643,566)	$ -	$ 158,391,573

Depreciation expense was not charged to activities, as the School District's assets benefit multiple activities and allocation is not practical.

Construction Commitments

The School District has active construction projects at year end. A total of $1,264,643 of funds from the 2010 Sinking Fund and the 2016 Building and Site Fund has been committed toward these projects.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Fund Due From			
Fund Due To	General Fund	Nonmajor Funds	Private Purpose Trust Fund	Total
General Fund	$ -	$ 166,092	$ 7,043	$ 173,135
Nonmajor funds	842,471	10,000	-	852,471
Total	$ 842,471	$ 176,092	$ 7,043	$ 1,025,606

Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

During the current year, the General Fund transferred $300,000 to the Maintenance and Equipment Fund to finance capital outlay purchases.

Note 8 - State Aid Anticipation Note

The School District has direct borrowings from the Michigan Finance Authority (the “Lender”) to provide sufficient resources before receiving its scheduled state aid. This liability is recorded as a fund liability in the General Fund.

During the year, the School District borrowed $9,950,000 in state aid anticipation notes. The current notes bear interest at 0.25 percent and are due on August 20, 2021. At June 30, 2021, the School District has accrued interest of $24,875 on these notes. Subsequent to year end, the outstanding principal and interest on this note was paid in full.

In the event of default, the notes are fully collateralized by the School District’s future state aid funding, and the Lender has the authority to intercept state aid payments at its discretion. In the event that all or a portion of the required payments at maturity is not made, a penalty interest rate will go into effect, and interest becomes due on demand. If the Lender has reason to believe that the School District will be unable to fulfill the required repayments, the Lender has the sole discretion to accelerate the principal and interest repayments.

In August 2021, the School District borrowed $2,000,000 in state aid anticipation notes with an interest rate of 0.12 percent. The notes mature in August 2022 and have similar terms and provisions as the notes outstanding at June 30, 2021.

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2021 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements - School Loan Revolving Fund	$ 11,837,109	$ 2,441,796	$ -	$ 14,278,905	$ -
Other debt - General obligations	98,345,000	11,905,000	(13,525,000)	96,725,000	8,295,000
Unamortized bond premiums	12,705,747	1,643,959	(828,406)	13,521,300	944,198
Total bonds and contracts payable	122,887,856	15,990,755	(14,353,406)	124,525,205	9,239,198
Compensated absences and early retirement incentives	829,792	-	(150,587)	679,205	217,500
Total governmental activities long-term debt	$ 123,717,648	$ 15,990,755	$ (14,503,993)	$ 125,204,410	$ 9,456,698

The School District had deferred outflows of $2,755,917 related to deferred charges on bond refundings at June 30, 2021.

Note 9 - Long-term Debt (Continued)

General Obligation Bonds and Other Long-term Liabilities

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District.

In previous years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2021, there is still $10,300,000 of bonds outstanding that are considered defeased.

General obligations outstanding at June 30, 2021 are as follows:

Purpose	Amount Issued	Interest Rates	Maturing	Outstanding
Refunding Bonds	$58,265,000	5.00%	May 1, 2030	$ 42,935,000
Qualified Bond - Series I	$34,140,000	5.00%	May 1, 2036	29,500,000
Qualified Bond - Series II	$12,960,000	4.00%	May 1, 2038	12,385,000
Qualified Bond - Series III	$11,905,000	3.00 - 5.00%	May 1, 2036	11,905,000
Total governmental activities				$ 96,725,000

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Other Debt		
Years Ending June 30	Principal	Interest	Total
2022	$ 8,295,000	$ 4,693,736	$ 12,988,736
2023	8,615,000	4,279,900	12,894,900
2024	8,975,000	3,852,400	12,827,400
2025	9,350,000	3,407,400	12,757,400
2026	7,085,000	2,944,650	10,029,650
2027-2031	32,970,000	9,385,500	42,355,500
2032-2036	19,425,000	3,172,000	22,597,000
2037-2038	2,010,000	120,800	2,130,800
Total	$ 96,725,000	$ 31,856,386	$ 128,581,386

Note 9 - Long-term Debt (Continued)

School Loan Revolving Fund

The School Loan Revolving Fund payable represents a direct borrowing from the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005 (the "Act"), as amended. The School Loan Revolving Fund is accessible to school districts for borrowings that initiated after July 19, 2005. Interest during the year ended June 30, 2021 was 3.0 percent. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2036. If the School District fails to levy the appropriate debt mills in accordance with the agreement or defaults in loan repayment, the School District shall increase its debt levy in the next succeeding year, and a default late charge of 3 percent will apply. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the School District, no provision for repayment has been included in the above debt maturity schedule. If the School District is in default of the loan agreement, the State of Michigan may withhold state aid funding until repayment terms satisfactory to the State of Michigan have been made.

Note 10 - Restricted Assets

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

Description	Governmental Activities
Repairs and capital outlay	$ 14,506,333
Future debt service repayments	381,810
Total	$ 14,888,143

Note 11 - 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 these claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at http://www.michigan.gov/orsschools.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member’s date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 accounts as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to the retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) accounts.

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2021 were $11,314,159, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of $4,827,096 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2021.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2021 were $2,839,584, which includes the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2021, the School District reported a liability of $130,341,366 for its proportionate share of the 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 as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the School District's proportion was 0.38 and 0.39 percent, respectively, representing a change of (3.79) percent.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Net OPEB Liability

At June 30, 2021, the School District reported a liability of $19,875,332 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2021 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 as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The School District’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the School District’s proportion was 0.37 and 0.39 percent, respectively, representing a change of (5.39) percent.

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

For 2021, the School District recognized pension expense of $18,767,216, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,991,509	$ (278,195)
Changes in assumptions	14,443,080	-
Net difference between projected and actual earnings on pension plan investments	547,636	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,291,368	(3,363,195)
The School District's contributions to the plan subsequent to the measurement date	9,542,211	-
Total	$ 27,815,804	$ (3,641,390)

The $4,827,096 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2022	$ 7,582,518
2023	4,712,092
2024	1,912,087
2025	425,506
Total	$ 14,632,203

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2021, the School District recognized OPEB recovery of $664,308.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (14,808,981)
Changes in assumptions	6,553,292	-
Net difference between projected and actual earnings on OPEB plan investments	165,882	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	776,374	(1,918,427)
Employer contributions to the plan subsequent to the measurement date	2,022,981	-
Total	$ 9,518,529	$ (16,727,408)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2022	$ (2,311,614)
2023	(2,094,097)
2024	(1,850,480)
2025	(1,651,439)
2026	(1,324,230)
Total	$ (9,231,860)

Actuarial Assumptions

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

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.00%	Year 1, graded to 3.5% in year 15, 3.0% year 120
Mortality basis		RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Significant assumption changes since the prior measurement date, September 30, 2019, for the OPEB plan include a reduction in the health care cost trend rate of 0.50 percentage points and the actual per person health benefit costs were lower than projected. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2020, depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.60 %
Private equity pools	16.00	9.30
International equity pools	15.00	7.40
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	4.90
Absolute return pools	9.00	3.20
Real return/opportunistic pools	12.50	6.60
Short-term investment pools	2.00	(0.10)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.1 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	$ 168,704,787	$ 130,341,366	$ 98,546,640

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	$ 25,532,123	$ 19,875,332	$ 15,112,789

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the School District	$ 14,930,440	$ 19,875,332	$ 25,499,538

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2021, the School District reported a payable of $2,156,538 and $360,269 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

Note 13 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities, and brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2021, the School District’s property tax revenue was reduced by approximately $129,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the school aid formula. The School District received approximately $71,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the Sinking Fund or debt service millages. There are no abatements made by the School District.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	$ 8,530,569	$ 8,103,089	$ 8,073,168	$ (29,921)
State sources	43,601,997	44,552,820	45,264,336	711,516
Federal sources	1,354,593	5,272,509	3,371,839	(1,900,670)
Interdistrict sources	8,857,947	9,475,211	9,474,514	(697)
Total revenue	62,345,106	67,403,629	66,183,857	(1,219,772)
Expenditures				
Current:				
Instruction:				
Basic programs	30,143,614	29,275,705	28,915,152	(360,553)
Added needs	8,933,780	8,345,769	8,198,958	(146,811)
Support services:				
Pupil	7,771,497	7,915,729	7,714,105	(201,624)
Instructional staff	2,412,239	2,382,536	2,243,909	(138,627)
General administration	764,786	720,513	607,278	(113,235)
School administration	3,180,137	3,182,053	3,124,851	(57,202)
Business	634,177	722,822	714,985	(7,837)
Operations and maintenance	4,816,669	4,945,780	4,993,874	48,094
Pupil transportation services	1,816,575	1,513,765	1,485,634	(28,131)
Central	1,693,026	1,433,732	1,315,940	(117,792)
Other	41,900	20,000	20,000	-
Athletics	1,238,973	1,198,581	1,162,629	(35,952)
Community services	21,820	17,329	14,966	(2,363)
Debt service - Interest	285,000	63,026	63,025	(1)
Total expenditures	63,754,193	61,737,340	60,575,306	(1,162,034)
Excess of Revenue (Under) Over Expenditures	(1,409,087)	5,666,289	5,608,551	(57,738)
Other Financing Sources (Uses)				
Transfers in	300,000	-	-	-
Transfers out	(60,000)	(300,000)	(300,000)	-
Total other financing sources (uses)	240,000	(300,000)	(300,000)	-
Net Change in Fund Balance	(1,169,087)	5,366,289	5,308,551	(57,738)
Fund Balance - Beginning of year	4,146,940	4,146,940	4,146,940	-
Fund Balance - End of year	**$ 2,977,853**	**$ 9,513,229**	**$ 9,455,491**	**$ (57,738)**

See notes to required supplemental information.

Required Supplemental Information
Schedule of Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Seven Plan Years

Plan Years Ended September 30

	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.37944 %	0.39440 %	0.39374 %	0.38353 %	0.37190 %	0.38855 %	0.36904 %
School District's proportionate share of the net pension liability	$ 130,341,366	$ 130,611,635	$ 118,365,313	$ 99,389,715	$ 92,784,977	$ 94,904,062	$ 81,286,407
School District's covered payroll	$ 32,900,795	$ 34,308,225	$ 34,000,021	$ 32,877,547	$ 30,839,024	$ 33,067,122	$ 30,326,343
School District's proportionate share of the net pension liability as a percentage of its covered payroll	396.16 %	380.70 %	348.13 %	302.30 %	300.87 %	287.00 %	268.04 %
Plan fiduciary net position as a percentage of total pension liability	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of Pension Contributions
Michigan Public School Employees' Retirement System

Last Seven Fiscal Years

Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 11,085,118	$ 10,650,304	$ 10,571,853	$ 10,145,632	$ 9,335,716	$ 8,702,307	$ 6,668,455
Contributions in relation to the statutorily required contribution	11,085,118	10,650,304	10,571,853	10,145,632	9,335,716	8,702,307	6,668,455
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
School District's Covered Payroll	$ 32,094,767	$ 33,390,048	$ 34,192,993	$ 33,808,716	$ 34,530,890	$ 30,780,754	$ 31,294,444
Contributions as a Percentage of Covered Payroll	34.54 %	31.90 %	30.92 %	30.01 %	27.04 %	28.27 %	21.31 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of Proportionate Share of the Net OPEB Liability
Michigan Public School Employees' Retirement System

Last Four Plan Years

Plan Years Ended September 30

	2020	2019	2018	2017
School District's proportion of the net OPEB liability	0.37100 %	0.39215 %	0.39888 %	0.38234 %
School District's proportionate share of the net OPEB liability	$ 19,875,332	$ 28,147,410	$ 31,707,172	$ 33,857,577
School District's covered payroll	$ 32,900,795	$ 34,308,225	$ 34,000,021	$ 32,877,547
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.41 %	82.04 %	93.26 %	102.98 %
Plan fiduciary net position as a percentage of total OPEB liability	59.76 %	48.67 %	43.10 %	36.53 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

Last Four Fiscal Years

Years Ended June 30

	2021	2020	2019	2018
Statutorily required contribution	$ 2,670,846	$ 2,683,091	$ 2,685,868	$ 2,441,911
Contributions in relation to the statutorily required contribution	2,670,846	2,683,091	2,685,868	2,441,911
Contribution Excess	**$ -**	**$ -**	**$ -**	**$ -**
School District's Covered Payroll	$ 32,094,767	$ 33,390,048	$ 34,192,993	$ 33,808,716
Contributions as a Percentage of Covered Payroll	8.32 %	8.04 %	7.86 %	7.22 %

See notes to required supplemental information.

Pension Information

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

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.

- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

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

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional $1.8 billion in 2020.

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

	Special Revenue Funds				Debt Service Funds				Capital Projects Funds			
	Food Service Fund	Community Services and Programs Fund	Vocational Education Fund	Student Activities Fund	Refunding Debt Service Fund	2016 Debt Service Fund	2018 Debt Service Fund	2016 SBLF Debt Service Fund	Maintenance and Equipment Fund	2010 Sinking Fund	2018 Sinking Fund	Total Nonmajor Governmental Funds
Assets												
Cash and cash equivalents	$ 83,336	$ 734,218	$ -	$ 1,073,578	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,891,132
Receivables	273,008	41,973	329,376	37,678	-	-	-	-	16,631	-	-	698,666
Due from other funds	-	10,000	72,081	228,266	-	-	-	-	542,124	-	-	852,471
Inventory	53,476	-	-	-	-	-	-	-	-	-	-	53,476
Prepaid expenses and other assets	-	-	-	775	-	-	-	-	-	-	-	775
Restricted assets	-	-	-	-	212,456	161,238	8,116	-	-	-	1,150,019	1,531,829
Total assets	**$ 409,820**	**$ 786,191**	**$ 401,457**	**$ 1,340,297**	**$ 212,456**	**$ 161,238**	**$ 8,116**	**$ -**	**$ 558,755**	**$ -**	**$ 1,150,019**	**$ 5,028,349**
Liabilities												
Accounts payable	$ 31,466	$ 129,910	$ 9,246	$ 176,827	$ -	$ -	$ -	$ -	$ -	$ -	$ 50,216	$ 397,665
Due to other funds	547	165,545	-	10,000	-	-	-	-	-	-	-	176,092
Accrued payroll-related liabilities	-	-	86	-	-	-	-	-	-	-	-	86
Unearned revenue	108,126	-	-	-	-	-	-	-	-	-	-	108,126
Total liabilities	140,139	295,455	9,332	186,827	-	-	-	-	-	-	50,216	681,969
Fund Balances												
Nonspendable - Inventory	54,251	-	-	-	-	-	-	-	-	-	-	54,251
Restricted:												
Debt service	-	-	-	-	212,456	161,238	8,116	-	-	-	-	381,810
Food service	215,430	-	-	-	-	-	-	-	-	-	-	215,430
Community service	-	490,736	-	-	-	-	-	-	-	-	-	490,736
Sinking fund	-	-	-	-	-	-	-	-	-	-	1,099,803	1,099,803
Vocational education	-	-	392,125	-	-	-	-	-	-	-	-	392,125
Committed - Student activities	-	-	-	1,153,470	-	-	-	-	-	-	-	1,153,470
Assigned - Capital projects	-	-	-	-	-	-	-	-	558,755	-	-	558,755
Total fund balances	269,681	490,736	392,125	1,153,470	212,456	161,238	8,116	-	558,755	-	1,099,803	4,346,380
Total liabilities and fund balances	**$ 409,820**	**$ 786,191**	**$ 401,457**	**$ 1,340,297**	**$ 212,456**	**$ 161,238**	**$ 8,116**	**$ -**	**$ 558,755**	**$ -**	**$ 1,150,019**	**$ 5,028,349**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2021

	Special Revenue Funds				Debt Service Funds				Capital Projects Funds			
	Food Service Fund	Community Services and Programs Fund	Vocational Education Fund	Student Activities Fund	Refunding Debt Service Fund	2016 Debt Service Fund	2018 Debt Service Fund	2016 SBLF Debt Service Fund	Maintenance and Equipment Fund	2010 Sinking Fund	2018 Sinking Fund	Total Nonmajor Governmental Funds
Revenue												
Local sources	$ 76,989	$ 2,293,115	$ 42,354	$ 1,645,795	$ 6,265,379	$ 240,682	$ 678,822	$ 8,699,672	$ 67,330	$ 352	$ 674,260	$ 20,684,750
State sources	104,018	149,245	439,563	-	136,623	34,156	8,037	142,650	-	-	15,958	1,030,250
Federal sources	1,422,959	117,900	263,588	-	-	-	-	-	-	-	-	1,804,447
Interdistrict sources	-	-	888,234	-	-	-	-	-	-	-	-	888,234
Total revenue	1,603,966	2,560,260	1,633,739	1,645,795	6,402,002	274,838	686,859	8,842,322	67,330	352	690,218	24,407,681
Expenditures												
Current:												
Instruction	-	-	730,051	-	-	-	-	-	-	-	-	730,051
Support services	-	-	589,380	1,519,395	-	-	-	-	-	-	-	2,108,775
Food services	1,368,321	-	-	-	-	-	-	-	-	-	-	1,368,321
Community services	-	2,506,897	-	-	-	-	-	-	-	-	-	2,506,897
Debt service:												
Principal	-	-	-	-	5,095,000	975,000	325,000	7,130,000	-	-	-	13,525,000
Interest	-	-	-	-	2,248,650	1,823,750	508,400	161,138	-	-	-	4,741,938
Other	-	-	-	-	500	500	500	500	-	-	-	2,000
Capital outlay	12	6,228	3,650	-	-	-	-	-	14,445	424,404	192,883	641,622
Interdistrict payments	-	-	100,585	-	-	-	-	-	-	-	-	100,585
Total expenditures	1,368,333	2,513,125	1,423,666	1,519,395	7,344,150	2,799,250	833,900	7,291,638	14,445	424,404	192,883	25,725,189
Excess of Revenue Over (Under) Expenditures	235,633	47,135	210,073	126,400	(942,148)	(2,524,412)	(147,041)	1,550,684	52,885	(424,052)	497,335	(1,317,508)
Other Financing Sources												
School Bond Loan Revolving Fund proceeds	-	-	-	-	555,000	800,000	435,000	285,000	-	-	-	2,075,000
Transfers in	-	-	-	-	-	-	-	-	300,000	-	-	300,000
Total other financing sources	-	-	-	-	555,000	800,000	435,000	285,000	300,000	-	-	2,375,000
Net Change in Fund Balances	235,633	47,135	210,073	126,400	(387,148)	(1,724,412)	287,959	1,835,684	352,885	(424,052)	497,335	1,057,492
Fund Balances - Beginning of year, as restated	34,048	443,601	182,052	1,027,070	599,604	1,885,650	(279,843)	(1,835,684)	205,870	424,052	602,468	3,288,888
Fund Balances - End of year	**$ 269,681**	**$ 490,736**	**$ 392,125**	**$ 1,153,470**	**$ 212,456**	**$ 161,238**	**$ 8,116**	**$ -**	**$ 558,755**	**$ -**	**$ 1,099,803**	**$ 4,346,380**

Other Supplemental Information
Schedule of Bonded Indebtedness

June 30, 2021

Years Ending June 30	2018 Refunding Debt Service Principal	Building and Site - Series I Principal	Building and Site - Series II Principal	Building and Site - Series III Principal	Total
2022	$ 4,930,000	$ 1,000,000	$ 725,000	$ 1,640,000	$ 8,295,000
2023	4,905,000	1,075,000	325,000	2,310,000	8,615,000
2024	4,885,000	1,200,000	375,000	2,515,000	8,975,000
2025	4,835,000	1,350,000	475,000	2,690,000	9,350,000
2026	4,785,000	1,500,000	550,000	250,000	7,085,000
2027	4,735,000	1,625,000	600,000	250,000	7,210,000
2028	4,680,000	1,750,000	650,000	250,000	7,330,000
2029	4,620,000	1,850,000	700,000	250,000	7,420,000
2030	4,560,000	1,950,000	750,000	250,000	7,510,000
2031	-	2,450,000	800,000	250,000	3,500,000
2032	-	2,550,000	825,000	250,000	3,625,000
2033	-	2,650,000	850,000	250,000	3,750,000
2034	-	2,750,000	875,000	250,000	3,875,000
2035	-	2,850,000	900,000	250,000	4,000,000
2036	-	2,950,000	975,000	250,000	4,175,000
2037	-	-	1,000,000	-	1,000,000
2038	-	-	1,010,000	-	1,010,000
Total remaining payments	**$ 42,935,000**	**$ 29,500,000**	**$ 12,385,000**	**$ 11,905,000**	**$ 96,725,000**
Principal payments due	May 1	May 1	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	5.00%	5.00%	4.00%	3.00% - 5.00%	
Original issue	**$ 58,265,000**	**$ 34,140,000**	**$ 12,960,000**	**$ 11,905,000**	

Saline Area Schools

Federal Awards Supplemental Information

June 30, 2021

Contents

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

Independent Auditor's Report

To the Board of Education
Saline Area Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saline Area Schools (the "School District") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 22, 2021, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 22, 2021.

The accompanying schedule of expenditures of federal awards and the reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis, as required by the Uniform Guidance, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

October 22, 2021

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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*

Independent Auditor's Report

To Management and the Board of Education
Saline Area Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saline Area Schools (the "School District") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 22, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any 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 the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

To Management and the Board of Education
Saline Area Schools

Purpose of This Report

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

Plante & Moran, PLLC

October 22, 2021

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Education
Saline Area Schools

Report on Compliance for Each Major Federal Program

We have audited Saline Area Schools' (the "School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

To the Board of Education
Saline Area Schools

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

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

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

Plante & Moran, PLLC

October 22, 2021

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	CFDA Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2021	Current Year Cash Transferred to Subrecipients
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture -										
Passed through the Michigan Department of Education:										
Noncash Assistance (Commodities):										
National Lunch Program - Entitlement Commodities	N/A	10.555	$ 77,396	$ -	$ -	$ -	$ 77,396	$ 77,396	$ -	$ -
National Lunch Program - Bonus Commodities	N/A	10.555	697	-	-	-	697	697	-	-
Noncash Assistance (Commodities) Subtotal		10.555	78,093	-	-	-	78,093	78,093	-	-
Cash Assistance:										
COVID-19 Unanticipated School Closure Program 2019-2020	200902	10.555	224,957	224,957	72,749	-	72,749	-	-	-
National School Afterschool Snacks Program 2019-2020	191980	10.555	(897)	-	-	-	(897)	(897)	-	-
National School Lunch Program (not incl. commodities) Subtotal		10.555	224,060	224,957	72,749	-	71,852	(897)	-	-
Summer Food Service Program 2020-2021	200900	10.559	204,600	-	-	-	204,600	204,600	-	
Extended Summer Food Service Program 2020-2021	210904	10.559	1,205,540	-	-	-	876,852	1,141,860	265,008	-
Summer Food Service Program Subtotal		10.559	1,410,140	-	-	-	1,081,452	1,346,460	265,008	-
Total Cash Assistance (not incl. commodities)			1,634,200	224,957	72,749	-	1,153,304	1,345,563	265,008	-
Total Child Nutrition Cluster (incl. commodities)			1,712,293	224,957	72,749	-	1,231,397	1,423,656	265,008	-
Special Education Cluster - U.S. Department of Education -										
Passed through the Washtenaw County ISD:										
IDEA Flowthrough:										
IDEA Flowthrough 2019-20	200450	84.027	1,123,252	1,123,252	1,123,252	-	1,123,252	-	-	-
IDEA Flowthrough 2020-21	200450-20-21	84.027	1,171,533	-	-	-	1,171,533	1,171,533	-	-
IDEA, Part B Subtotal		84.027	2,294,785	1,123,252	1,123,252	-	2,294,785	1,171,533	-	-
IDEA Preschool Incentive:										
IDEA Preschool 2019-20	200460	84.173	26,415	26,415	26,415	-	26,415	-	-	-
IDEA Preschool 2020-21	190460-20-21	84.173	25,282	-	-	-	25,282	25,282	-	-
IDEA, Preschool Subtotal		84.173	51,697	26,415	26,415	-	51,697	25,282	-	-
Total Special Education Cluster			2,346,482	1,149,667	1,149,667	-	2,346,482	1,196,815	-	-
Total Clusters			4,058,775	1,374,624	1,222,416	-	3,577,879	2,620,471	265,008	-

See notes to schedule of expenditures of federal awards.

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	CFDA Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2021	Current Year Cash Transferred to Subrecipients
Other federal awards:										
Passed through the Michigan Department of Education:										
Title I, Part A:										
Title I, Part A 2019-20	201530	84.010	$ 93,813	$ 93,813	$ 93,813	$ -	$ 93,813	$ -	$ -	$ -
Title I, Part A 2020-21	211530	84.010	106,972	-	-	-	-	106,972	106,972	-
Total Title I, Part A		84.010	200,785	93,813	93,813	-	93,813	106,972	106,972	-
Improving Teacher Quality, Title II, Part A:										
Title II, Part A 2019-20	200520	84.367	74,618	74,618	74,618	-	74,618	-	-	-
Title II, Part A 2020-21	210520	84.367	76,623	-	-	-	-	74,259	74,259	-
Total Title II, Part A		84.367	151,241	74,618	74,618	-	74,618	74,259	74,259	-
Title III, Part A - Language for Immigrant Students:										
Title III, Part A 2019-20	200570	84.365	3,461	3,461	3,461	-	3,461	-	-	-
Title III, Part A 2020-21	210570	84.365	2,962	-	-	-	-	2,962	2,962	-
Total Title III - Language for Immigrant Students		84.365	6,423	3,461	3,461	-	3,461	2,962	2,962	-
Title IV, Part A:										
Title IV, Part A - Title IV, Part A 2019-20	200750	84.424	10,000	10,000	10,000	-	10,000	-	-	-
Title IV, Part A - Title IV, Part A 2020-21	210750	84.424	10,000	-	-	-	-	10,000	10,000	-
Total Title IV - Part A		84.424	20,000	10,000	10,000	-	10,000	10,000	10,000	-
Education Stabilization Fund Program -										
COVID-19 ESSER Formula Fund I 2019-2020	203710	84.425D	76,777	76,777	76,777	-	76,777	-	-	-
Total Noncluster Programs passed through Michigan Dept. of Ed			455,226	258,669	258,669	-	258,669	194,193	194,193	-
Passed through Washtenaw County ISD:										
Vocational Education - Basic Grants to States (Perkins):										
Vocational Education 2019-20	203520/121223	84.048	242,771	242,771	66,775	-	66,775	-	-	-
Vocational Education 2020-21	203520/201223	84.048	271,000	-	-	-	205,778	263,588	57,810	-
Total Vocational Education		84.048	513,771	242,771	66,775	-	272,553	263,588	57,810	
Title III - Limited English Proficient:										
Title III 2019-20	180580	84.365	20,252	13,779	13,779	-	19,641	5,862	-	-
Title III 2020-21	190580	84.365	19,223	-	-	-	-	9,315	9,315	-
Total Title III - Limited English Proficient		84.365	39,475	13,779	13,779	-	19,641	15,177	9,315	-
Total Noncluster Programs passed through Washtenaw County ISD			553,246	256,550	80,554	-	292,194	278,765	67,125	-
Coronavirus Relief Fund - U.S. Department of Treasury:										
Passed through Michigan Department of Education:										
COVID-19 11p - CRF School Aid	20-21	21.019	1,821,974	-	-	-	1,821,974	1,821,974	-	-
COVID-19 103(2) - District COVID Costs	20-21	21.019	64,133	-	-	-	64,133	64,133	-	-
Total CRF passed through Michigan Department of Education			1,886,107	-	-	-	1,886,107	1,886,107	-	-
Passed through Copper Country ISD -										
COVID-19 - CRF MiConnect/MAISA	20-21	21.019	79,547	-	-	-	79,547	79,547	-	-
Total Coronavirus Relief Fund		21.019	1,965,654	-	-	-	1,965,654	1,965,654	-	-
Total federal awards			**$ 7,032,901**	**$ 1,889,843**	**$ 1,561,639**	**$ -**	**$ 6,094,396**	**$ 5,059,083**	**$ 526,326**	**$ -**

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards

	Year Ended June 30, 2021
Revenue from federal sources - As reported on financial statements (includes all funds)	$ 5,176,286
Federal revenue for which the School District is considered a beneficiary rather than a subrecipient	(117,900)
Other adjustments	697
Federal expenditures per the schedule of expenditures of federal awards	**$ 5,059,083**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures, except for those related to CFDA 21.019, Coronavirus Relief Fund (CRF), are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The pass-through entity identifying numbers are presented where available.

CRF does not apply the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, but rather applies the U.S. Department of the Treasury’s guidance and frequently asked questions, as outlined in the Federal Register.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

Note 3 - Grant Auditor Report

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 4 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
10.555, 10.559	Child Nutrition Cluster	Unmodified
21.019	Coronavirus Relief Fund	Unmodified

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

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Finding
Current Year	None

Saline Area Schools

Report to the Board of Education

June 30, 2021

Plante & Moran, PLLC
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To the Board of Education
Saline Area Schools

We have recently completed our audit of the basic financial statements of Saline Area Schools (the "School District") as of and for the year ended June 30, 2021. In addition to our audit report, we are providing the following results of the audit and informational items that impact the School District:

We are grateful for the opportunity to be of service to Saline Area Schools. We would also like to extend our thanks to Ms. Miranda Owsley and the entire business office for their assistance and preparedness during the audit. We recognize that preparing for the audit is carried out in addition to your staff's normal daily activities. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 22, 2021

Results of the Audit

Plante & Moran, PLLC
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October 22, 2021

To the Board of Education
Saline Area Schools

We have audited the financial statements of Saline Area Schools (the "School District") as of and for the year ended June 30, 2021 and have issued our report thereon dated October 22, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 18, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the School District, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 22, 2021 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 30, 2021.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School District are described in Note 2 to the financial statements.

As described in Note 2, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Accordingly, the accounting change has been retrospectively applied to July 1, 2020, as required by the standard.

We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 financial statements were the School District's share of the MPSERS net liabilities for the pension and other postemployment benefit (OPEB) plans recorded on the government-wide statements related to GASB Statement Nos. 68 and 75, respectively. The School District's estimates as of June 30, 2021 were $130.3 million and $19.9 million for the pension and OPEB plans, respectively, based on data received from the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements 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.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as 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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

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

As required by 2 CFR Part 200, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with 2 CFR Part 200 dated October 22, 2021.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 22, 2021.

To the Board of Education
Saline Area Schools

October 22, 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 School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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

Very truly yours,

Plante & Moran, PLLC

Jeffrey C. Higgins, CPA
Partner

Informational Items

A Year Like No Other

The past year has been challenging for everyone, particularly those who have continued to keep our schools running throughout this pandemic. While some businesses and employees were able to seamlessly transition to the work-from-home environment, educators and administrators faced a number of hurdles. The School District has faced a continuously changing environment during the pandemic. New federal grants and targeted state funding have placed new accounting and compliance requirements on Saline Area Schools. Planning will become increasingly important to put the School District in the best position to take advantage of the substantial new, nonrecurring resources provided.

We have worked closely with state and federal decision-makers throughout the pandemic. As Saline Area Schools' strategic partner, our goal has been to advocate for school districts by meeting with these decision-makers before actions are finalized so that these groups can be well-informed of the implications their actions will have on the School District, your business office, and your financial statements. New or revised accounting and compliance guidance continues to be released from numerous agencies, and school districts are left with the task of deciphering this information to ensure adherence to these new requirements. To that end, as guidance is updated and opportunities are identified, we will continue to work with Saline Area Schools in navigating the complexities and make sure that your team is always aware of the most current information that impacts the School District. We want to recognize the hard work that everyone at Saline Area Schools has put in over the past year. We appreciate all that you have done for the students in your communities, and we want to thank you for the opportunity to work side by side with your team during these difficult times.

State Aid Funding

Background

From 18 Months of Financial Uncertainty to Projected Stability: Since the winter of 2020, the factors surrounding school funding have been uncertain, difficult to predict, and even more difficult to manage.

- **Pre-pandemic:** Prior to the onset of the pandemic, the State's financial resources were stable, predictable, and suggested a predictable, improving financial picture for Michigan schools.

- **Financial Concerns during the Onset of the Pandemic:** During the spring of 2020, predictions were made that there would be significant negative impacts to the State's School Aid Fund and the potential for substantial proration of state aid for school districts due to the grinding halt that the pandemic placed on Michigan's economy. The specific impact was difficult to predict, resulting in two Revenue Estimating Conferences: the normally scheduled one in May 2020 and an additional conference in August 2020. The May conference suggested substantial proration would need to occur (estimated at $685 per pupil), and many districts adopted a final budget amendment in 2020 to reflect this estimate. By August 2020, the economic impacts of the pandemic were slightly clearer, and the result was a proration of $175 per pupil for the 2019-2020 fiscal year. While significant, it was much less than what was predicted in May 2020.

- **Federal Resources:** Beginning in March 2020, the federal government initiated financial assistance that directly impacted school districts, with the funding being provided in several waves throughout 2020 and 2021. As is the case with most federal resources, unique spending requirements were attached; however, the guidance and stipulations continued to evolve and change. This resulted in significant uncertainty throughout the year in terms of how and when to expend the available funds. Ultimately, the COVID-19 relief funds did provide more flexibility in spending than traditional federal grants.

- **2020-2021 State Funding:** With a more predictable revenue stream into the School Aid Fund, sustainable school funding was put in place. The foundation allowance was held at the 2019-2020 level, no prorations were required, and a $65 one-time per pupil payment was provided to school districts. The State also provided additional funding to those districts that did not receive a minimum threshold of per pupil funding from the new Educational Stabilization Fund federal program.

- **2021-2022 State Funding:** Stability within the School Aid Fund continues to improve, and the fund was predicted to have a surplus for the fiscal year ended 2021 and would have sustainable revenue looking out the next few years. This provided the governor and Legislature an opportunity to increase the State’s investments in public education. The most significant outcome from their efforts was improved equity in the foundation allowance funding. All schools will be at the target foundation allowance of $8,700 per pupil. This means the equity gap between the base foundation and the target foundation has finally been eliminated. In addition, all schools, including hold harmless districts, will receive at least a $171 per pupil increase. In addition, funding progress was made related to recommendations resulting from the School Finance Research Collaborative, which includes increased funding levels for special education; At-Risk; wraparound services, such as nurses and counselors; and Great Start School Readiness (GSRP).

- **Looking Forward:** The most recent Revenue Estimating Conference estimates that the School Aid Fund will remain healthy when projecting out the financial picture over the next few years. Based on the current facts and circumstances, it is expected there will be room for continued foundation allowance funding increases over time, in addition to the ability to invest in specific programming or educational support. However, the key funding lesson from the last 18 months is that predictions are a best estimate based on the current fact and circumstances, and those estimates can be significantly impacted by subsequent events.

2021 Funding Implications for the School District

2020-2021 Foundation: Due to pandemic-related funding concerns, foundation allowance levels were maintained at 2019-2020 levels. The target foundation allowance (formerly known as the basic foundation allowance) was $8,529. The minimum foundation allowance remained at $8,111; however, Saline Area Schools did receive a one-time per pupil payment of $65. This was not added to the foundation allowance formula and was not retained for 2021-2022.

A Unique 2020-2021 Pupil Count: In order to smooth the impacts of reduced pupil counts during the remote learning period, a temporary one-year change was made to the pupil count method used for the purpose of the foundation allowance formula. For 2020-2021, a super blend was used, combining the pupil counts from the 2019-2020 school year and the 2020-2021 school year. The 2019-2020 count was weighted at 75 percent, and the 2020-2021 count was weighted at 25 percent. This blended pupil count was multiplied by the foundation allowance per pupil to determine the School District’s total foundation allowance funding for the year.

MPSERS Cost Support: Amounts contributed by the School District to the retirement system are computed as a percentage of payroll. The required contribution rate applicable for all school districts continues to increase. The estimated contribution rate for 2020-2021 ranged from 35.47 to 42.72 percent, with the rate, net of state funding support, paid directly by the employer, ranging from 20.96 to 28.21 percent. The State's funding support is provided in three separate sections of the State Aid Act: Sections 147a, 147c, and 147e. Saline Area Schools received a total of $443,370 in 147a1, $731,480 in 147a2, $4,827,096 in 147c1, and $108,966 of 147e. In general terms, this means the total cost of the retirement system contributions in 2020-2021, representing approximately 42 percent of covered payroll, is recognized as an expenditure in the School District's financial statements, along with related revenue that was previously considered state support to the system. The net effect is that the School District is responsible for approximately a 28 percent contribution to the retirement system.

Coronavirus Relief Fund (CRF): At the close of the 2019-2020 school year, there was significant confusion regarding availability and use of CRF. In the summer of 2020, approximately $362 per pupil was provided to school districts from the Michigan Department of Education through the summer state aid payments. The total available for Saline Area Schools was $1,886,107. Even though these funds were received with the final state aid payments for the 2019-2020 school year, since the funding was not approved until July 2020, the funds were required to be deferred at June 30, 2020 and not recognized as revenue until fiscal year 2021. Similar to other federal grants, there were requirements for how the funds can be used, and the School District would determine usage by applying the guidelines. For the year ended June 30, 2021, Saline Area Schools fully expended the award and recognized the related federal revenue.

Pandemic-related Federal Funding: Since March 2020, several iterations of federal funding impacting school districts have occurred. Two key funding sources include the Education Stabilization Fund (ESF) and the Coronavirus Relief Fund (CRF). Each fund provides resources under multiple programs. The principal programs under ESF are the Elementary and Secondary School Emergency Relief (ESSER) Fund and the Governor's Education Emergency Relief (GEER) Fund. CRF programs include the $362 per pupil passed through by the MDE in addition to some school districts receiving certain funding made available from other nonfederal entities. The common elements to all these revenue sources are that the funds are designed to assist with pandemic relief and the School District must have a specific plan for use of the funds. In general, reimbursement claims could reach back to costs incurred as early as March 2020. Program end dates vary depending on when funds were provided and will require school districts to carefully plan for their use.

ESSER: School districts are being awarded ESSER grants in three different waves: ESSER I, ESSER II (further divided between phase 1 and 2), and ESSER III. Saline Area Schools' ESSER I award amount was $76,777, and ESSER II and III estimates are approximately $370,000 and $831,000, respectively. School districts awarded ESSER I funds were able to recognize the revenue during fiscal year 2021 to the extent allowable expenditures were incurred to claim for reimbursement in alignment with the federal requirements. Due to the timing of when award letters were issued to school districts for phase 1 of ESSER II, school districts were eligible to recognize this revenue during fiscal year 2021 to the extent that a grant award letter was received by June 30, 2021. Many school districts did not receive their grant award letter by June 30, 2021, and, therefore, the revenue from phase 1 of ESSER II can be recognized no earlier than fiscal year 2022. Phase 2 of ESSER II and ESSER III awards will be made available during fiscal year 2022.

The allocation of ESSER funds is based on the Title I allocation model. The allocation model uses economically disadvantaged demographics to determine the level of funding to be provided to each school district. As a result, some school districts were provided substantial funding from ESSER, while others received substantially less. The Legislature and the governor concluded districts should receive a minimum amount per pupil, and if ESSER did not provide at least that amount per pupil, then funding from the State should provide an equalization payment to bring a district up to the minimum amount. These state funds would follow similar usage requirements as ESSER funds. The floor amount of funding was $450 per pupil related to ESSER II. Based on the School District's level of ESSER II funding, Saline Area Schools qualified for an equalization payment of $1,947,744, which was received by the School District over the May through August 2021 state aid payments. School districts had the option of recognizing the equalization payment as revenue during fiscal year 2021 but only to the extent that allowable expenditures were being allocated to this restricted state funding source or deferring the revenue and recognizing it during fiscal year 2022.

2022 Funding Implications for the School District

The May 2021 Revenue Estimating Conference provided an optimistic view of the School Aid Fund's financial picture for 2022, 2023, and 2024. The School Aid Fund is predicted to complete the State's 2021 fiscal year with a fund balance and is expected to continue to generate funding growth from nonfederal sources for the next few years. As a result, amendments to the State Aid Act for the 2022 fiscal year included several additions to the school funding picture. These included:

- **2021-2022 Foundation Allowance:** With the goal of improving equity among school districts, all districts receive at least a minimum level of funding, which was established as the target foundation allowance. Any school district that was not at the target level in 2021 was increased to the new target foundation of $8,700 per pupil. For districts already at the target, they received a $171 per pupil increase form the former target level of $8,529. For the few school districts in the state above the target, those school districts also received the $171 per pupil increase. Based on these changes, Saline Area Schools' foundation allowance per pupil is going to be $8,700, representing an increase of $567 from the 2021 funding level.

- **ESSER:** As previously noted, Saline Area Schools will receive certain ESSER awards during fiscal year 2022. Similar to the ESSER II floor of $450 per student, the State also set a funding floor of $1,093 per student for ESSER III. These funds follow the same restrictions on allowable use as compared to the ESSER III federal funds. The expectation was that this state-funded equalization payment would be received during fiscal year 2022; however, in recent announcements, it has become known that the federal government is now questioning the legality of this payment, putting this anticipated funding source into question.

- **Pupil Membership Blend for 2021-2022:** Pupil count determinations return to the pre-fiscal year 2021 super blend method for 2021-2022. As it is expected students will be returning to the classroom, it was concluded there was little need for a super blend that was in effect during 2020-2021. As defined in the School Aid Act, the district is required to complete its calendar year spring and fall counts for 2021. The weighting of those counts continues to be at 90 percent of the fall count and 10 percent of the spring count. The computed pupil count will be used to determine the total foundation allowance paid to the School District. Since schools will be transitioning to in-class instruction in the fall, it may be difficult to predict what enrollments might be. Clearly the level of student attendance will have a significant impact on total revenue generated from the foundation allowance.

- **Summer School and Learning Assistance:** As part of the process to return to in-person learning in the fall of 2021, significant emphasis was placed on summer school. As a result, significant resources were made available to school districts for the summer of 2021 to assist in this effort. Resources included federal funding for summer programming, credit recovery, and before- and after-school programming as part of the Elementary and Secondary School Emergency Relief II Fund. In addition, state aid funding was appropriated for innovative summer programming or credit recovery programs. School districts were required to establish a plan to use these funds for supplemental programming.

- **MPSERS Cost for 2021-2022:** The basic structure, including cost support provided by the School Aid Fund, will continue. For 2022, the overall contribution rate is expected to increase to 43 percent from 42 percent, with the net cost to the School District approximating 28 percent. While the net cost to the School District changes marginally, the overall contribution rate increases significantly from 2021. The School Aid Fund implication is that more resources are redirected from the funding of operations to the support of the retirement system funding requirement. As School Aid Fund's health has improved, there is renewed interest within the Legislature to provide additional resources to reduce the net cost of school district contributions to the retirement system.

Looking Forward to 2023 and Beyond

The May 2021 Revenue Estimating Conference provided a look into 2023 and 2024. 2021 has a projected surplus to carry over to 2022, and surpluses are expected for 2023 and 2024. These surpluses are uncharted territory for school funding in Michigan. In the short term, two supplemental funding measures were put in place. Most of the funds provided were related to appropriating federal funds provided to the State for the benefit of school districts. Other elements of the funding measures leveraged state resources, with the principal element being the ESSER equalization payments tied to ESSER II and ESSER III funding. As we have learned from the past, the Revenue Estimating Conferences provide projections based on the best facts in hand. Experience has told us that those facts can change with the potential for both a positive or negative impact on the projections. Factors to monitor as we look into the future include the following:

- The extent of a continuing economic "bounce back" currently experienced by the State

- The impact as federal stimulus provided tails off during the next two years and the extent of state funding to assist in replacing those resources for recurring services

- The success of returning to in-class instruction

- Extent and duration of resources needed to address learning loss resulting from the pandemic

- Short-term and longer-term student enrollment changes resulting from the pandemic

- Personnel shortages and the impact on providing learning-related services

- Potential staffing cost increases

- Cost trends for the retirement system and the extent to which state support is used from the School Aid Fund

The next Revenue Estimating Conference will occur in January 2022. School districts will need to carefully monitor those results and compare projections to the May 2021 conference results. That information will allow school districts to better project the longer-term implications for school funding.

Budgeting Considerations

The pandemic will have a substantive impact on district budgeting considerations for years to come. This includes both state and federal funding sources.

As we have seen, funding from the School Aid Fund has varied widely over the last 18 months. Fortunately, School Aid Fund projections suggest funding stability through 2024. However, that stability presumes a continually improving financial picture for the State of Michigan. If assumptions do not hold, there is a risk for continued variability in school funding. Any variability would have a direct impact on funds made available for school operations.

Federal funds have been made available in waves since March 2020. As of June 30, 2021, pandemic-related funding has been substantial, but school districts have yet to access all the funds being made available. Primarily, these funds are provided as grants with program end dates laddered through 2024. The terms and conditions of the different grant funding streams are unique. This means schools must plan carefully for the use of funds to both optimize the value received and ensure compliance with the grant requirements. Also, these resources are not recurring, so school districts should carefully consider their use. If funds are used for recurring activities, the School District will need to redirect other revenue once the grant is complete to continue the activity or discontinue the program. Understanding the full value of the resources received through 2024 will have a dramatic impact on the School District's strategic planning efforts and related budget projections.

Another key variable impacting district budgets is enrollment. Since foundation allowance payments are computed using a per pupil allocation, the pupil count will drive the total funding provided for school operations. As schools begin to return to in-class instruction, tracking enrollment will be an important step in estimating total state aid revenue. Clearly, the hope and expectation are that students will return to the School District. Tracking attendance and comparing it to expectations will be essential in determining whether budget adjustments may be necessary if total enrollment is not consistent with expectations.

Budget management in 2021-2022 and beyond includes many new challenges, many not seen previously within school finance. In summary, some key budget focus items school districts should be building into the budget management process include the following:

- Understanding the specifics of pandemic-related federal aid and strategically planning for its use
- Understanding the specifics of pandemic-related state aid provided and strategically planning for its use
- Crafting a multiyear revenue forecast for recurring school operating revenue, including foundation allowance and recurring categorical aid funding
- Projecting and carefully monitoring pupil counts and adjusting budget projections for significant variations
- Assessing payroll-related costs in two categories: recurring payroll costs based on contractual agreements and variable payroll costs resourced with pandemic-related resources
- Identifying and budgeting for one-time uses of federal and state pandemic-related assistance

In summary, plan for 2021-2022 and beyond but understand there are still many moving parts. Continue to be flexible, and plan to adapt to a potentially changing financial and operational landscape.

Michigan Public School Employees' Retirement System (MPSERS) - Update on the Plans' Net Pension/OPEB Liabilities

Similar to the State of Michigan, the MPSERS plan has a September 30 year end. With the adoption of GASB Statement Nos. 68 and 75 several years ago, districts have been reporting their share of the MPSERS plan funded status in the government-wide financial statements of the district.

At September 30, 2020, the pension portion of the MPSERS plan had a net pension liability of approximately $35 billion. This is an increase from the reported amount of $33.8 billion at September 30, 2019, an increase of approximately 3.5 percent. This increase meant that, for the year ended June 30, 2021, districts reported a higher net pension liability than they had in the previous year, despite the fact that districts continued to make their required contributions to the plan during fiscal year 2021. One of the primary reasons for the increase in the liability was due to a less than favorable actuarial experience compared to the actuarial assumptions.

At September 30, 2020, the retiree health care portion (OPEB) of the MPSERS plan had a net OPEB liability of approximately $5.4 billion. This is a decrease from the reported amount of $7.3 billion at September 30, 2019, a decrease of approximately 26 percent. The valuation of the OPEB liability included a reduction of the health care cost trend rate from 7.5 percent to 7.0 percent, and the plan also experienced a favorable plan experience adjustment related to lower than projected health benefit costs, which had a positive impact by reducing the total liability.

GASB Statement No. 87 - Leases

This statement is effective for the School District's June 30, 2022 financial statements. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the lease. The statement was issued to improve accounting and financial reporting for leases by governments. The statement establishes a single model for lease accounting for both lessees and lessors based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset on the lessee's government-wide financial statements, and a lessor is required to recognize a lease receivable and a deferred inflow of resources on the lessor's government-wide financial statements. Furthermore, there are additional financial statement disclosures required for the lessee and lessor as a result of the standard.

To adopt the standard, the School District will have to identify and analyze all significant lease contracts to determine the lease asset and lease liability or deferred inflow or outflow of resources that will be required to be recognized upon implementation of the standard. This review should include all existing lease agreements and other contracts that may have embedded lease arrangements that were not previously considered. Other departments outside of the business office may need to be involved in order to properly identify and locate all agreements subject to the new leasing standard. It is important to begin the process of inventorying lease agreements early on to then determine the financial impact upon adoption.

Lessee Accounting Under GASB 87

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the maximum lease term per the lease contract is 12 months or less or it transfers ownership of the underlying asset. The lease liability is measured at the present value of lease payments expected to be made during the lease term (less any lease incentives). The right-to-use asset is measured at the amount of initial measurement of the lease liability, plus any payments made to the lessor at or before commencement of the lease term and certain direct costs incurred to place the leased asset in service. The lessee should reduce the lease liability as payments are made and recognize an outflow of resources (i.e., expense) for interest on the liability. The lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lessor Accounting Under GASB 87

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, lease contracts with a maximum lease term of 12 months or less, and leases that transfer ownership of the underlying asset. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments made by the lessee at or before commencement of the lease term relating to future periods. The lessor should recognize interest revenue on the lease receivable and an inflow of resources (i.e., revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. A lessor should not derecognize the asset underlying the lease.