

Mount Clemens Community School District

Financial Statements

June 30, 2021



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**Mount Clemens Community School District
Members of the Board of Education and Administration
June 30, 2021**

Members of the Board of Education

Earl C. Rickman III	President
Jeanine Walker	Vice President
Dr. David McFadden	Treasurer
Theresa Jarratt	Secretary
Jason Monk	Trustee
Stephanie O'Neal	Trustee
Jaime Collins	Trustee

Administration

Monique Beels	Superintendent
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Independent Auditors' Report

Management and the Board of Education
Mount Clemens Community School District
Mount Clemens, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Clemens Community 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Adoption of New Account Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the School District adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mount Clemens Community School District's basic financial statements. The other supplementary 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 supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, 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 26, 2021 on our consideration of Mount Clemens Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mount Clemens Community School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Clemens Community School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, MI
October 26, 2021

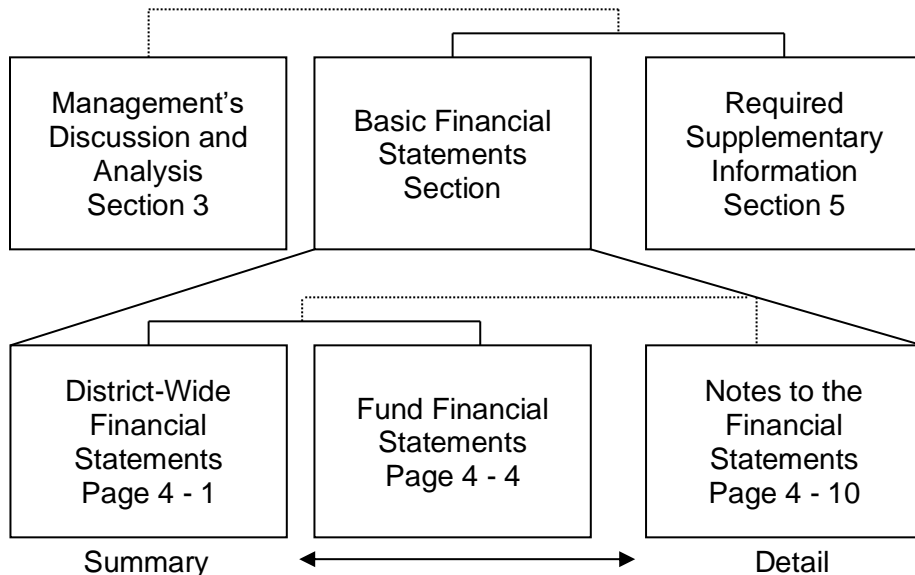
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Mount Clemens Community School District
Management's Discussion and Analysis
June 30, 2021**

Mount Clemens Community School District is a K-12 public school district located in Macomb County, Michigan.

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.

**Figure A-1
Mount Clemens Community School District
Organization of Annual Financial Report**



District - Wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to the private business sector.

The *statement of net position* presents information on all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual balance reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the district-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, community services, and food service. The School District had no business-type activities as of and for the year ended June 30, 2021.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: *governmental funds* and *fiduciary funds*.

Mount Clemens Community School District
Management's Discussion and Analysis
June 30, 2021

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmentwide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Readers may better understand the long-term impact of the government's near-term financing decisions by doing it this way. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School District maintains two major governmental funds - the general fund and the debt service fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of fund revenues, expenditures, and changes in fund balances for each fund.

The School District adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided herein to demonstrate compliance with their budgets.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements.

District - Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$34,692,765 at the close of the most recent fiscal year.

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

Mount Clemens Community School District
Management's Discussion and Analysis
June 30, 2021

	Governmental Activities 2021	2020
Assets		
Current and other assets	\$ 5,049,603	\$ 3,241,063
Capital assets, net	<u>36,489,185</u>	<u>38,360,493</u>
Total assets	<u>41,538,788</u>	<u>41,601,556</u>
Deferred Outflows of Resources	<u>7,361,628</u>	8,175,585
Liabilities		
Current liabilities	2,806,352	27,011,162
Long-term liabilities	<u>77,317,178</u>	<u>57,180,207</u>
Total liabilities	<u>80,123,530</u>	<u>84,191,369</u>
Deferred Inflows of Resources	<u>3,469,651</u>	<u>2,686,531</u>
Net position		
Net investment in capital assets	3,375,232	8,423,156
Restricted	131,651	260,747
Unrestricted	<u>(38,199,648)</u>	<u>(45,784,662)</u>
Total net position	<u>\$(34,692,765)</u>	<u>\$(37,100,759)</u>

The remaining balance is unrestricted net position, which has a negative balance mainly due to the recording of the School District's portion of the Michigan Public School Employees Retirement System (MPERS) net pension and other postemployment benefit liabilities in accordance with GASB 68 and 75.

The negative net position of \$34,692,765 of governmental activities represents the accumulated results of all past years' operations. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year, as will changes to the net pension and other postemployment benefit liabilities.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Below is a summary of the School District's changes in net position for the years ended June 30, 2021 and 2020.

The School District had negative net position of \$34,692,765 at June 30, 2021. The School District had net investment in capital assets of \$3,375,231, which compares the original cost, less accumulated depreciation of the School District's capital assets, plus any unspent bond proceeds to the long-term debt used to finance the acquisition of those assets and reduced for long-term indebtedness used to finance the related capital assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. In addition, net position of \$131,651 is restricted.

Mount Clemens Community School District
Management's Discussion and Analysis
June 30, 2021

School District's Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues		
Program revenues		
Charges for services	\$ 24,010	\$ 344,178
Operating grants and contributions	8,844,635	6,615,241
General revenues		
Property taxes	10,088,072	9,681,105
Unrestricted state aid	3,695,741	3,793,440
Other	<u>501,286</u>	<u>141,672</u>
Total revenues	<u>23,153,744</u>	<u>20,575,636</u>
Expenses		
Instruction	8,704,466	7,772,876
Supporting services	7,638,404	6,865,095
Food services	731,332	913,694
Community services	221,261	198,086
Unallocated depreciation	2,043,987	2,042,681
Interest on long-term debt	<u>1,832,487</u>	<u>2,130,660</u>
Total expenses	<u>21,171,937</u>	<u>19,923,092</u>
Change in net position	1,981,807	652,544
Net position - beginning, as restated	<u>(36,674,572)</u>	<u>(37,753,303)</u>
Net position - ending	<u><u>\$ (34,692,765)</u></u>	<u><u>\$ (37,100,759)</u></u>

The School District experienced an increase in net position of \$1,981,807. The primary reason for the change in net position is a reduction in long-term debt interest costs related to prior year bond refunding activity as well as an increase in operating grants and contributions related to COVID-19 related grant funds.

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 the School District's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

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

As the School District completed 2021, the governmental funds reported a combined fund balance of \$2,227,408, which is an increase of \$973,005 in comparison with the prior year. The primary reasons for the change are as follows:

In the general fund, our principal operating fund, the fund balance increased \$972,168 to a balance of \$1,232,032. This change is compared to the decrease of \$563,865 in the prior year. The increase in fund balance was primarily related to an increase in state and federal revenues with an effort by the district to maintain and reduce expenditures.

The debt service fund shows a fund balance decrease of \$88,642 (from \$461,368 to \$372,726). The millage rate is 11.8 mills (funding a combined debt service fund for both the 2017 and 2019 refunding bonds). The millage rate is determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue related debt service. Debt service funds fund balances are restricted since they can only be used to pay debt service obligations.

Mount Clemens Community School District
Management's Discussion and Analysis
June 30, 2021

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 revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A final adjustment to the 2020-2021 budget was adopted on June 24, 2021. The significant changes between the original adopted budget and the final amended budget were increased revenue of approximately \$4,324,000 based on a projected reduction in the state foundation allowance that did not occur as well as increased grant funds from Federal, State and County resources. In addition, there was an increase in expenditures of approximately \$3,675,000 related to the increase in grant funds and the need to support and ensure a successful return to learn environment during the 2020-2021 school year.

The general fund actual revenue and other financing sources was \$16,270,273. That amount is less than the final budget estimate of \$16,859,378. The variance was \$589,105, or 3.5%.

The actual expenditures of the general fund were \$15,298,105, which is below the final budget estimate of \$16,690,233. The variance was \$1,392,128, or 8.3%. The variance was due to decreased expenditures in conjunction with decreased revenues.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the School District had \$36,489,185 invested in a broad range of capital assets, including land, buildings and improvements, site improvements, equipment and furniture and buses and other vehicles. Additional information on the School District's capital assets can be found in the notes to the financial statements.

	2021	2020
Land	\$ 680,575	\$ 680,575
Construction-in-progress	-	437,915
Buildings and additions	33,843,978	35,074,980
Site improvements	1,574,262	1,837,907
Equipment and furniture	367,021	299,650
Buses and other vehicles	23,349	29,466
	\$ 36,489,185	\$ 38,360,493

Debt

At the end of this 2021 fiscal year, the School District had \$35,910,000 in bonds outstanding versus \$47,660,000 in the previous year. The School District also had a school bond loan fund, capital lease, and compensated absences. A summary of the School District's debt is as follows:

	2021	2020
General obligation bonds	\$ 35,910,000	\$ 47,660,000
Premium on bonds	1,543,663	1,867,202
School Loan Revolving Fund (SLRF)	15,045,634	7,595,931
Accrued interest - SLRF	316,926	44,813
School Bond Loan Fund (SBLF)	2,087	2,087
Accrued interest - SBLF	308	94
Capital lease	103,608	-
Compensated absences	61,980	10,080
	\$ 52,984,206	\$ 57,180,207

Additional information regarding the School District's long-term debt can be found in the notes to the financial statements.

Mount Clemens Community School District
Management's Discussion and Analysis
June 30, 2021

Factors Bearing on the School District's Future

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

- The foundation allowance was projected to increase by \$50
- Anticipated student enrollment of 802 students.
- An increase of 3%-4% in health insurance costs.
- Realized increase of 2020-2021 MCEA negotiated wage re-opener in accordance with collective bargaining agreement.
- Increase in capital improvement expenditures primarily funded with federal ESSER/ARP grant funds
- Increase in instructional and support expenditures related to additional grant funding.

The budget for the year ended June 30, 2022 was adopted in June 2021.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Business Services, 155 Cass Avenue, Mount Clemens, Michigan 48043.

BASIC FINANCIAL STATEMENTS

Mount Clemens Community School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash	\$ 1,556,649
Due from other governmental units	3,123,588
Inventory	4,727
Investments	251,524
Prepaid items	113,115
Capital assets not being depreciated	680,575
Capital assets - net of accumulated depreciation	35,808,610
Total assets	41,538,788
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	4,727,423
Deferred amount relating to the net OPEB liability	1,666,146
Deferred amount on debt refunding	968,059
Total deferred outflows of resources	7,361,628
Liabilities	
Accounts payable	254,349
State aid anticipation note payable	606,023
Due to other governmental units	308,419
Payroll deductions and withholdings	415,084
Accrued expenditures	241,075
Accrued salaries payable	669,918
Unearned revenue	311,484
Long-term liabilities	
Net pension liability	21,015,284
Net OPEB liability	3,317,688
Due within one year	2,734,591
Due in more than one year	50,249,615
Total liabilities	80,123,530

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	\$ 971,579
Deferred amount relating to the net OPEB liability	<u>2,498,072</u>
Total deferred inflows of resources	<u>3,469,651</u>
Net Position	
Net investment in capital assets	3,375,232
Restricted for:	
Debt service	131,651
Unrestricted	<u>(38,199,648)</u>
Total net position	<u>\$ (34,692,765)</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Governmental activities				
Instruction	\$ 8,704,466	\$ -	\$ 6,698,956	\$ (2,005,510)
Supporting services	7,638,404	17,115	1,576,476	(6,044,813)
Food services	731,332	6,895	569,203	(155,234)
Community services	221,261	-	-	(221,261)
Unallocated depreciation	2,043,987	-	-	(2,043,987)
Interest on long-term debt	1,832,487	-	-	(1,832,487)
	<u>\$ 21,171,937</u>	<u>\$ 24,010</u>	<u>\$ 8,844,635</u>	<u>(12,303,292)</u>
General revenues				
Property taxes, levied for general purposes				4,288,271
Property taxes, levied for debt service				5,799,801
State aid - unrestricted				3,695,741
Interest and investment earnings				84,974
Other				416,312
				<u>14,285,099</u>
				Change in net position
				1,981,807
				<u>Net position - beginning, as restated</u>
				(36,674,572)
				<u>Net position - ending</u>
				\$ (34,692,765)

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 758,183	\$ 117,808	\$ 680,658	\$ 1,556,649
Due from other funds	270,492	254,918	-	525,410
Due from other governmental units	3,118,892	-	4,696	3,123,588
Inventory	-	-	4,727	4,727
Investments	-	-	251,524	251,524
Prepaid items	113,115	-	-	113,115
Total assets	<u>\$ 4,260,682</u>	<u>\$ 372,726</u>	<u>\$ 941,605</u>	<u>\$ 5,575,013</u>
Liabilities				
Accounts payable	\$ 205,886	\$ -	\$ 48,463	\$ 254,349
State aid anticipation note payable	606,023	-	-	606,023
Due to other funds	254,918	-	270,492	525,410
Due to other governmental units	308,419	-	-	308,419
Payroll deductions and withholdings	415,084	-	-	415,084
Accrued salaries payable	669,918	-	-	669,918
Unearned revenue	311,484	-	-	311,484
Total liabilities	<u>2,771,732</u>	<u>-</u>	<u>318,955</u>	<u>3,090,687</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources				
Unavailable revenue				
Grants received	\$ 256,918	\$ -	\$ -	\$ 256,918
Fund Balances				
Non-spendable				
Inventory	-	-	4,727	4,727
Prepaid items	113,115	-	-	113,115
Restricted for				
Food service	-	-	106,427	106,427
Debt service	-	372,726	-	372,726
Committed for				
Student and school activities	-	-	511,496	511,496
Unassigned	1,118,917	-	-	1,118,917
Total fund balances	<u>1,232,032</u>	<u>372,726</u>	<u>622,650</u>	<u>2,227,408</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,260,682</u>	<u>\$ 372,726</u>	<u>\$ 941,605</u>	<u>\$ 5,575,013</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2021

Total fund balances for governmental funds	\$ 2,227,408
Total net position for governmental activities in the statement of net position is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Other governmental units	256,918
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	680,575
Capital assets - net of accumulated depreciation	35,808,610
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	968,059
Deferred outflows of resources resulting from the net pension liability	4,727,423
Deferred outflows of resources resulting from the net OPEB liability	1,666,146
Deferred inflows of resources resulting from the net pension liability	(971,579)
Deferred inflows of resources resulting from the net OPEB liability	(2,498,072)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(241,075)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(21,015,284)
Net OPEB liability	(3,317,688)
Compensated absences	(61,980)
Bonds payable	(37,453,663)
School bond loan and school loan revolving payable	(15,364,955)
Other loans payable and liabilities	<u>(103,608)</u>
Net position of governmental activities	<u>\$ (34,692,765)</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 4,696,781	\$ 5,799,801	\$ 116,786	\$ 10,613,368
State sources	7,091,559	260,654	21,333	7,373,546
Federal sources	3,136,164	-	552,021	3,688,185
Interdistrict sources	1,221,727	-	-	1,221,727
Total revenues	<u>16,146,231</u>	<u>6,060,455</u>	<u>690,140</u>	<u>22,896,826</u>
Expenditures				
Current				
Education				
Instruction	7,759,737	-	-	7,759,737
Supporting services	6,790,673	-	18,704	6,809,377
Food services	-	-	651,957	651,957
Community services	197,246	-	-	197,246
Capital outlay	455,392	-	-	455,392
Debt service				
Principal	20,434	11,750,000	-	11,770,434
Interest and other expenditures	4,623	1,848,800	-	1,853,423
Total expenditures	<u>15,228,105</u>	<u>13,598,800</u>	<u>670,661</u>	<u>29,497,566</u>
Excess (deficiency) of revenues over expenditures	<u>918,126</u>	<u>(7,538,345)</u>	<u>19,479</u>	<u>(6,600,740)</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from school bond loan fund	\$ -	\$ 7,449,703	\$ -	\$ 7,449,703
Capital leases	124,042	-	-	124,042
Transfers in	-	-	70,000	70,000
Transfers out	(70,000)	-	-	(70,000)
Total other financing sources (uses)	<u>54,042</u>	<u>7,449,703</u>	<u>70,000</u>	<u>7,573,745</u>
Net change in fund balances	972,168	(88,642)	89,479	973,005
Fund balances - beginning, as restated	<u>259,864</u>	<u>461,368</u>	<u>533,171</u>	<u>1,254,403</u>
Fund balances - ending	<u>\$ 1,232,032</u>	<u>\$ 372,726</u>	<u>\$ 622,650</u>	<u>\$ 2,227,408</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - Total governmental funds	\$ 973,005
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	256,918
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,043,987)
Capital outlay	172,679
Expenses are recorded when incurred in the statement of activities.	
Interest	(205,797)
Compensated absences	(51,900)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(1,037,947)
Net change in deferrals of resources related to the net pension liability	(1,022,868)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	995,685
Net change in deferrals of resources related to the net OPEB liability	(477,403)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(7,573,745)
Repayments of long-term debt	11,770,434
Amortization of premiums	323,539
Amortization of deferred amount on debt refunding	(96,806)
Change in net position of governmental activities	<u>\$ 1,981,807</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	<u>Custodial Funds</u>
Assets	
Cash	\$ <u>11,578</u>
Net Position	
Assets held for cable television	\$ <u>11,578</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	<u>Custodial Funds</u>
Additions	
Local sources	\$ 1,368
Deductions	
Cable television activities	<u>752</u>
Change in net position	616
Net position - beginning, as restated	<u>10,962</u>
Net position - ending	<u>\$ 11,578</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Mount Clemens Community School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

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. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

Fund Financial Statements

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

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

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2021

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Debt Service Fund - The Debt Service Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and Student and School Activity Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Custodial Funds are related to funds held for the Macomb Cable Network (MCN), a shared service of the City of Mount Clemens and the Mount Clemens Community Schools.

Assets, Liabilities and Net Position or Equity

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as "due from/to other funds." These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2020, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.000
Commercial personal property	6.000
Debt Service Funds	11.800

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. 100% of the School District's tax roll lies within Macomb County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Macomb and remitted to the School District by May 15.

Investments - Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2021

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

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 - 50 years
Site improvements	10 - 20 years
Equipment and furniture	5 - 10 years
Buses and other vehicles	5 - 10 years

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences - The liability for compensated absences reported in the government-wide statements consists of earned by unused accrued vacation. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, with amounts for both employees who are currently eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon termination. Benefits are accrued based on various contract stipulations and lengths of service for the various bargaining units.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2021

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

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

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance - In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2021

Assigned - amounts intended to be used for specific purposes, as determined the Board of Education. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

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, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring 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. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

The School District is evaluating the impact that the above GASB will have on its financial reporting.

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2021

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Capital outlay	388,052	455,392	67,340
Debt - principal	-	20,434	20,434
Debt - interest	-	4,623	4,623
Food Service Fund	606,785	651,957	45,172

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 1,556,649	\$ 11,578	\$ 1,568,227
Investments	251,524	-	251,524
	<u>\$ 1,808,173</u>	<u>\$ 11,578</u>	<u>\$ 1,819,751</u>

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2021

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 693,111
Investments in securities, mutual funds, and similar vehicles	1,125,540
Petty cash and cash on hand	<u>1,100</u>
Total	<u>\$ 1,819,751</u>

As of year end, the School District had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	\$ 69,692	6 months average	AAAm	Standard & Poor's
MAX Class	804,324	6 months average	AAAm	Standard & Poor's
Mutual fund	211,762	N/A	N/A	N/A
Common stock	<u>39,762</u>	N/A	N/A	N/A
	<u>\$1,125,540</u>			

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

As of June 30, 2021, the net asset value of the School District's investment in MILAF + Portfolio was \$874,016. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustees may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the

close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

As of June 30, 2021, the net asset value of the School District's investment in a mutual fund was \$211,762. The Investment Company of America (A). Capital Research and Management Company ("CRMC"), the fund's investment adviser, values the fund's investments at fair value as defined by U.S. GAAP. The net asset value per share is calculated once daily as of the close of regular trading on the New York Stock Exchange, normally 4 p.m. New York time, each day the New York Stock Exchange is open. The fund's investment adviser uses the following methods and inputs to establish the fair value of the fund's assets and liabilities. Use of particular methods and inputs may vary over time based on availability and relevance as market and economic conditions evolve. Equity securities are generally valued at the official closing price of, or the last reported sale price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. Prices for each security are taken from the principal exchange or market on which the security trades. Fixed-income securities, including short-term securities, are generally valued at prices obtained from one or more pricing vendors.

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2021

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

Credit risk - State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk - The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$550,206 of the School District's bank balance of \$800,206 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

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

The School District has the following recurring fair value measurements as of June 30, 2021:

- Common stock of \$39,762 is valued using quoted market prices (Level 1 inputs)

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2021

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 680,575	\$ -	\$ -	\$ 680,575
Construction-in-progress	437,915	48,637	486,552	-
Total capital assets not being depreciated	<u>1,118,490</u>	<u>48,637</u>	<u>486,552</u>	<u>680,575</u>
Capital assets being depreciated				
Buildings and additions	70,233,403	486,552	-	70,719,955
Site improvements	5,357,407	-	-	5,357,407
Equipment and furniture	2,441,372	124,042	128,481	2,436,933
Buses and other vehicles	111,158	-	-	111,158
Total capital assets being depreciated	<u>78,143,340</u>	<u>610,594</u>	<u>128,481</u>	<u>78,625,453</u>
Less accumulated depreciation for				
Buildings and additions	35,158,423	1,717,554	-	36,875,977
Site improvements	3,519,500	263,645	-	3,783,145
Equipment and furniture	2,141,722	56,671	128,481	2,069,912
Buses and other vehicles	81,692	6,117	-	87,809
Total accumulated depreciation	<u>40,901,337</u>	<u>2,043,987</u>	<u>128,481</u>	<u>42,816,843</u>
Net capital assets being depreciated	<u>37,242,003</u>	<u>(1,433,393)</u>	<u>-</u>	<u>35,808,610</u>
Net capital assets	<u>\$38,360,493</u>	<u>\$ (1,384,756)</u>	<u>\$ 486,552</u>	<u>\$36,489,185</u>

Depreciation expense of \$2,043,987 was charged to activities of the School District as "unallocated depreciation".

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
General Fund	Debt Service Fund	\$ 254,918
Nonmajor Governmental Funds	General Fund	<u>270,492</u>
		<u>\$ 525,410</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year, between the General Fund and the Food Service Fund totaling \$70,000. These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities.

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 311,484</u>
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Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2021

Note 8 - Leases

Capital Leases

The School District has a capital lease for copiers. The future minimum lease payments are as follows:

Year ending June 30,	
2022	\$ 25,237
2023	25,238
2024	25,238
2025	25,238
2026	<u>4,207</u>
Total minimum lease payments	105,158
Less amount representing interest	<u>1,549</u>
Present value of minimum lease payments	<u>\$ 103,609</u>

The assets acquired through capital leases are as follows:

Assets	
Machinery and equipment	\$ 124,042
Less accumulated depreciation	<u>24,808</u>
Total	<u>\$ 99,234</u>

Note 9 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 200,285	\$ 1,233,000	\$ 827,262	\$ 606,023

Note 10 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. For the School Bond Loan Fund or School Loan Revolving Fund, the State may withhold state aid if the School District is in default or apply late charges in an instance of default or fails to appropriately levy debt mills. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 47,660,000	\$ -	\$ 11,750,000	\$ 35,910,000	\$ 2,710,000
Premium on bonds	<u>1,867,202</u>	<u>-</u>	<u>323,539</u>	<u>1,543,663</u>	<u>-</u>
Total bonds payable	<u>49,527,202</u>	<u>-</u>	<u>12,073,539</u>	<u>37,453,663</u>	<u>2,710,000</u>
Notes from direct borrowings and direct placements					
School Loan Revolving Fund (SLRF)	7,595,931	7,449,703	-	15,045,634	-
Accrued interest - SLRF	44,813	272,113	-	316,926	-
School Bond Loan Fund (SBLF)	2,087	-	-	2,087	-
Accrued interest - SBLF	<u>94</u>	<u>214</u>	<u>-</u>	<u>308</u>	<u>-</u>
Total notes from direct borrowings and direct placements	<u>7,642,925</u>	<u>7,722,030</u>	<u>-</u>	<u>15,364,955</u>	<u>-</u>
Other liabilities					
Capital lease	-	124,042	20,434	103,608	24,591
Compensated absences	<u>10,080</u>	<u>264,995</u>	<u>213,095</u>	<u>61,980</u>	<u>-</u>
Total	<u>\$ 57,180,207</u>	<u>\$ 8,111,067</u>	<u>\$ 12,307,068</u>	<u>\$ 52,984,206</u>	<u>\$ 2,734,591</u>

Mount Clemens Community School District
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For governmental activities, compensated absences and retirement incentives are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

\$33,420,000 2017 Refunding Bonds (Series A), due in annual installments of \$2,640,000 to \$2,715,000 through year 2031 plus interest at 3.5% to 5.0%	\$ 27,025,000
\$8,885,000 2019 Refunding Bonds, due in annual installments of \$1,000,000 to \$1,980,000 through year 2030 plus interest at 2.450% to 2.814%.	<u>8,885,000</u>
Total general obligation bonded debt	<u>\$ 35,910,000</u>

Future principal and interest requirements for bonded debt and direct borrowings and direct placements are as follows:

Year Ending June 30,	Bonds	
	Principal	Interest
2022	\$ 2,710,000	\$1,478,596
2023	2,710,000	1,343,096
2024	2,715,000	1,207,596
2025	3,715,000	1,071,846
2026	3,900,000	911,596
2027 - 2031	<u>20,160,000</u>	<u>2,065,748</u>
Total	<u>\$ 35,910,000</u>	<u>\$ 8,078,478</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$372,726 to pay this debt. Future debt and interest will be payable from future tax levies.

State School Loan Revolving Fund

The State School Loan Revolving Fund consists of a direct borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Loan Revolving Fund. The School District had an outstanding principal and accrued interest balance at yearend of \$15,045,634 and \$316,926, respectively. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer. The principal must be repaid no later than May 1, 2037.

Compensated Absences

Accrued compensated absences at year end consists accrued leave benefits. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Interest expenditures for the fiscal year in the Debt Service Funds was \$1,848,800.

Note 11 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

Mount Clemens Community School District
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Note 12 - Pension Plan

Plan Description

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

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

Mount Clemens Community School District
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The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2020.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	13.39 - 19.41%
Member Investment Plan	3.0 - 7.0%	13.39 - 19.41%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$1,681,249 for the year ending September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$21,015,284 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was .0612 percent, which was an increase of .0009 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020, the School District recognized pension expense of \$3,100,730 for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total pension contribution expense of \$1,845,488.

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	Total
Difference between expected and actual experience	\$ 321,096	\$ (44,854)	\$ 276,242
Changes of assumptions	2,328,696	-	2,328,696
Net difference between projected and actual earnings on pension plan investments	88,297	-	88,297
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>240,364</u>	<u>(115,667)</u>	<u>124,697</u>
Total to be recognized in future	2,978,453	(160,521)	2,817,932
School District contributions subsequent to the measurement date	<u>1,748,970</u>	<u>(811,058)</u>	<u>937,912</u>
Total	<u>\$ 4,727,423</u>	<u>\$ (971,579)</u>	<u>\$ 3,755,844</u>

Mount Clemens Community School District
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Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The District will offset the contribution expense in the year ended June 30, 2022 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year
 (To Be Recognized in Future Pension Expenses)

2021	\$ 1,211,237
2022	920,362
2023	518,165
2024	<u>168,168</u>
	<u>\$ 2,817,932</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4892 years.

Recognition period for assets is 5 years.

Mount Clemens Community School District
Notes to the Financial Statements
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Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

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

Mount Clemens Community School District
Notes to the Financial Statements
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Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 27,200,721	\$ 21,015,284	\$ 15,888,936

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

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

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

Payables to the Michigan Public School Employees' Retirement System (MPERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 13 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

Mount Clemens Community School District
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The schedule below summarizes OPEB contribution rates in effect for plan year 2020.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$437,542 for the year ended September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$3,317,688 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was .0619 percent, which was an increase of .0018 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020, the School District recognized OPEB expense of \$(71,801) for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total OPEB contribution expense of \$450,650

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	Total
Difference between expected and actual experience	\$ -	\$(2,471,988)	\$(2,471,988)
Changes of assumptions	1,093,908	-	1,093,908
Net difference between projected and actual earnings on OPEB plan investments	27,690	-	27,690
Changes in proportion and differences between the School District contributions and proportionate share of contributions	137,118	(26,084)	111,034
Total to be recognized in future	1,258,716	(2,498,072)	(1,239,356)
School District contributions subsequent to the measurement date	407,430	-	407,430
Total	\$ 1,666,146	\$(2,498,072)	\$ (831,926)

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2021	\$ (346,777)
2022	(308,192)
2023	(247,429)
2024	(190,691)
2025	(146,267)
	<u>\$ (1,239,356)</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 12
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Mount Clemens Community School District
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Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 5.6018 years.

Recognition period for assets is 5 years

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	25.0 %	5.6 %
Alternative Investment Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
	100.0%	

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

Rate of Return

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

Mount Clemens Community School District
Notes to the Financial Statements
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Discount Rate

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

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 4,261,947	\$ 3,317,688	\$ 2,522,701

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 2,492,262	\$ 3,317,688	\$ 4,256,508

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 14 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2021.

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2021

Note 15 - Change in Accounting Principle

As indicated in Note 1, Governmental Accounting Standards Board Statement 84 has been adopted. The standard requires this change be applied retroactively. The impact of this change is to increase beginning net position in the statement of activities as of July 1, 2020 by \$426,187, restating it from \$(37,100,759) to \$(36,674,572), and to increase beginning fund balance in the statement of revenues, expenditures, and changes in fund balances as of July 1, 2020 by \$426,187, restating it from \$828,216 to \$1,254,403.

REQUIRED SUPPLEMENTARY INFORMATION

Mount Clemens Community School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 3,938,845	\$ 4,261,030	\$ 4,696,781	\$ 435,751
State sources	4,958,928	7,222,307	7,091,559	(130,748)
Federal sources	2,047,659	3,795,296	3,136,164	(659,132)
Interdistrict sources	1,589,603	1,580,745	1,221,727	(359,018)
Total revenues	<u>12,535,035</u>	<u>16,859,378</u>	<u>16,146,231</u>	<u>(713,147)</u>
Expenditures				
Instruction				
Basic programs	3,638,237	6,058,777	5,602,797	(455,980)
Added needs	3,191,021	2,432,102	2,156,940	(275,162)
Supporting services				
Pupil	1,300,473	1,615,309	1,513,260	(102,049)
Instructional staff	709,645	761,598	751,405	(10,193)
General administration	268,305	333,920	315,586	(18,334)
School administration	533,737	498,106	468,314	(29,792)
Business	459,380	598,155	455,082	(143,073)
Operations and maintenance	1,299,100	1,821,213	1,701,652	(119,561)
Pupil transportation services	518,524	1,011,100	902,586	(108,514)
Central	555,948	684,723	622,020	(62,703)
Athletic activities	83,255	74,686	60,768	(13,918)
Community services	240,248	290,849	197,246	(93,603)
Capital outlay	-	388,052	455,392	67,340
Debt service				
Principal	-	-	20,434	20,434
Interest	95,506	-	4,623	4,623
Total expenditures	<u>12,893,379</u>	<u>16,568,590</u>	<u>15,228,105</u>	<u>(1,340,485)</u>
Excess (deficiency) of revenues over expenditures	<u>(358,344)</u>	<u>290,788</u>	<u>918,126</u>	<u>627,338</u>

Mount Clemens Community School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Capital leases	\$ -	\$ -	\$ 124,042	\$ 124,042
Transfers in	95,000	-	-	-
Transfers out	-	(121,643)	(70,000)	51,643
Total other financing sources (uses)	<u>95,000</u>	<u>(121,643)</u>	<u>54,042</u>	<u>175,685</u>
Net change in fund balances	(263,344)	169,145	972,168	803,023
Fund balance - beginning	<u>259,864</u>	<u>259,864</u>	<u>259,864</u>	<u>-</u>
Fund balance - ending	<u>\$ (3,480)</u>	<u>\$ 429,009</u>	<u>\$ 1,232,032</u>	<u>\$ 803,023</u>

Mount Clemens Community School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School District's proportion of net pension liability (%)	0.0612%	0.0603%	0.0599%	0.0604%	0.0627%	0.0593%	0.0663%			
B. School District's proportionate share of net pension liability	\$ 21,015,284	\$ 19,977,337	\$ 18,018,237	\$ 15,644,021	\$ 15,638,901	\$ 14,489,891	\$ 14,599,748			
C. School District's covered payroll	\$ 5,477,321	\$ 5,238,918	\$ 5,134,642	\$ 4,887,198	\$ 5,403,441	\$ 4,930,193	\$ 5,712,588			
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	383.68%	381.33%	350.92%	320.10%	289.42%	293.90%	255.57%			
E. Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%			

Note Disclosures

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

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2020.

Mount Clemens Community School District
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. Statutorily required contributions	\$ 1,845,488	\$ 1,684,284	\$ 1,594,696	\$ 1,712,336	\$ 1,407,580	\$ 1,081,108	\$ 1,067,786			
B. Contributions in relation to statutorily required contributions	<u>1,845,488</u>	<u>1,684,284</u>	<u>1,594,696</u>	<u>1,712,336</u>	<u>1,407,580</u>	<u>1,081,108</u>	<u>1,067,786</u>			
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
D. School District's covered payroll	\$ 5,475,517	\$ 5,560,710	\$ 5,180,389	\$ 5,158,056	\$ 5,096,593	\$ 5,346,717	\$ 4,961,857			
E. Contributions as a percentage of covered payroll	33.70%	30.29%	30.78%	33.20%	27.62%	20.22%	21.52%			

Mount Clemens Community School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School District's proportion of the net OPEB liability (%)	0.0619%	0.0601%	0.0604%	0.0605%						
B. School District's proportionate share of the net OPEB liability	\$ 3,317,688	\$ 4,313,373	\$ 4,799,695	\$ 5,356,091						
C. School District's covered payroll	\$ 5,477,321	\$ 5,238,918	\$ 5,134,642	\$ 4,887,198						
D. School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.57%	82.33%	93.48%	109.59%						
E. Plan fiduciary net position as a percentage of total OPEB liability	59.44%	36.39%	42.95%	36.39%						

Mount Clemens Community School District
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. Statutorily required contributions	\$ 450,650	\$ 452,467	\$ 405,997	\$ 315,856						
B. Contributions in relation to statutorily required contributions	<u>450,650</u>	<u>452,467</u>	<u>405,997</u>	<u>315,856</u>						
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D. School District's covered payroll	\$ 5,475,517	\$ 5,560,710	\$ 5,180,389	\$ 5,158,056						
E. Contributions as a percentage of covered payroll	8.23%	8.14%	7.84%	6.12%						

OTHER SUPPLEMENTARY INFORMATION

Mount Clemens Community School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Food Service</u>	<u>Student and School Activity</u>	<u>Funds</u>
Assets			
Cash	\$ 418,290	\$ 262,368	\$ 680,658
Due from other governmental units	4,696	-	4,696
Inventory	4,727	-	4,727
Investments	-	251,524	251,524
Total assets	<u>\$ 427,713</u>	<u>\$ 513,892</u>	<u>\$ 941,605</u>
Liabilities			
Accounts payable	\$ 46,785	\$ 1,678	\$ 48,463
Due to other funds	269,774	718	270,492
Total liabilities	<u>316,559</u>	<u>2,396</u>	<u>318,955</u>
Fund Balances			
Non-spendable			
Inventory	4,727	-	4,727
Restricted for			
Food service	106,427	-	106,427
Committed for			
Student and school activities	-	511,496	511,496
Total fund balances	<u>111,154</u>	<u>511,496</u>	<u>622,650</u>
Total liabilities and fund balances	<u>\$ 427,713</u>	<u>\$ 513,892</u>	<u>\$ 941,605</u>

Mount Clemens Community School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Food</u>	<u>Student and</u>	<u>Nonmajor</u>
	<u>Service</u>	<u>School Activity</u>	<u>Governmental</u>
			<u>Funds</u>
Revenues			
Local sources	\$ 12,773	\$ 104,013	\$ 116,786
State sources	21,333	-	21,333
Federal sources	<u>552,021</u>	<u>-</u>	<u>552,021</u>
Total revenues	<u>586,127</u>	<u>104,013</u>	<u>690,140</u>
Expenditures			
Current			
Education			
Supporting services	-	18,704	18,704
Food services	<u>651,957</u>	<u>-</u>	<u>651,957</u>
Total expenditures	<u>651,957</u>	<u>18,704</u>	<u>670,661</u>
Excess (deficiency) of revenues over expenditures	(65,830)	85,309	19,479
Other Financing Sources (Uses)			
Transfers in	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Net change in fund balances	4,170	85,309	89,479
Fund balances - beginning, as restated	<u>106,984</u>	<u>426,187</u>	<u>533,171</u>
Fund balances - ending	<u>\$ 111,154</u>	<u>\$ 511,496</u>	<u>\$ 622,650</u>

Mount Clemens Community School District

Single Audit Report

June 30, 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 Auditors' Report

Members of the Board of Education
Mount Clemens Community School District
Mount Clemens, MI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Clemens Community School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Mount Clemens Community School District's basic financial statements, and have issued our report thereon dated October 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mount Clemens Community 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Clemens Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mount Clemens Community School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Clemens Community 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs item 2021-002.

Mount Clemens Community School District's Response to Findings and Corrective Action Plan

Mount Clemens Community School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Mount Clemens Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Yeo & Yeo, P.C.

Auburn Hills, MI
October 26, 2021



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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Members of the Board of Education
Mount Clemens Community School District
Mount Clemens, MI

Report on Compliance for Each Major Federal Program

We have audited Mount Clemens Community School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mount Clemens Community School District's major federal programs for the year ended June 30, 2021. Mount Clemens Community 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mount Clemens Community 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* (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 Mount Clemens Community 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 Mount Clemens Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Mount Clemens Community 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 its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Mount Clemens Community 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 Mount Clemens Community 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 Mount Clemens Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Clemens Community School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Mount Clemens Community School District's basic financial statements. We issued our report thereon dated October 26, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, MI
October 26, 2021

Mount Clemens Community School District
Schedule of Expenditures of Federal Awards
June 30, 2021

Federal Grantor Pass Through Grantor Program Title Grantor Number	Assistance Listing Number	Approved Grant Amount	Accrued (Unearned) Revenue at July 1, 2020	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue at June 30, 2021
U.S. Department of Agriculture							
Child Nutrition Cluster							
Passed through Michigan Department of Education							
Non-cash assistance (commodities)							
	10.555						
National School Lunch Program - Entitlement Commodities		\$ 48,746	\$ -	\$ -	\$ 48,746	\$ 48,746	\$ -
National School Lunch Program - Commodities Bonus		792	-	-	792	792	-
			<u>-</u>		<u>49,538</u>	<u>49,538</u>	<u>-</u>
Cash assistance							
200902 COVID-19 USC Summer Food Service Program	10.555	83,854	14,584	83,854	-	14,584	-
200900 Summer Food Service Program for Children - Operating	10.559	36,838	-	-	36,838	36,838	-
210904 Extended Summer Food Service Program for Children		453,685	-	-	453,685	453,685	-
			<u>-</u>		<u>490,523</u>	<u>490,523</u>	<u>-</u>
Total Child Nutrition Cluster			<u>14,584</u>		<u>540,061</u>	<u>554,645</u>	<u>-</u>
Child and Adult Care Food Program							
	10.558						
211920 Child and Adult Care Food Program - Meals		319	-	-	319	319	-
212010 Child and Adult Care Food Program - Cash in lieu		19	-	-	19	19	-
			<u>-</u>		<u>338</u>	<u>338</u>	<u>-</u>
Fresh Fruit and Vegetable Program							
	10.582						
210950 Fresh Fruit and Vegetable Program		11,623	-	-	11,623	11,623	-
Total U.S. Department of Agriculture			<u>14,584</u>		<u>552,022</u>	<u>566,606</u>	<u>-</u>
U.S. Department of Treasury							
Coronavirus Relief Fund							
Passed through Michigan Department of Education							
COVID-19 11p Coronavirus Relief Funds	21.019	352,020	-	-	352,020	352,020	-
COVID-19 103(2) District Covid Costs	21.019	12,391	-	-	12,391	12,391	-
Passed through Macomb Intermediate School District							
COVID-19 Macomb County Technology Grant	21.019	285,439	-	-	285,439	285,439	-
Total U.S. Department of Treasury			<u>-</u>		<u>649,850</u>	<u>649,850</u>	<u>-</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Mount Clemens Community School District
Schedule of Expenditures of Federal Awards
June 30, 2021

Federal Grantor Pass Through Grantor Program Title Grantor Number	Assistance Listing Number	Approved Grant Amount	Accrued (Unearned) Revenue at July 1, 2020	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue at June 30, 2021
U.S. Department of Education							
Special Education Cluster							
Passed through Macomb Intermediate School District							
190450 1819 Special Education - Grants to States	84.027A	\$ 446,554	\$ 2,589	\$ 431,346	\$ -	\$ 2,589	\$ -
200450 1920 Special Education - Grants to States		567,729	257,295	553,356	14,373	271,668	-
210450 2021 Special Education - Grants to States		557,314	-	-	557,788	363,864	193,924
			259,884		572,161	638,121	193,924
210460 2021 Special Education - Preschool Grants	84.173	41,285	-	-	41,285	41,285	-
Total Special Education Cluster			259,884		613,446	679,406	193,924
Passed through Michigan Department of Education							
Title I Part A							
211530 2021 Title I Grants to Local Educational Agencies	84.010	1,042,360	-	-	846,988	518,368	328,620
201530 1920 Title I Grants to Local Educational Agencies		1,093,686	282,838	1,037,645	-	282,838	-
			282,838		846,988	801,206	328,620
Title II Part A							
210520 2021 Supporting Effective Instruction State Grants	84.367	208,000	-	-	123,605	75,856	47,749
200520 1920 Supporting Effective Instruction State Grants		250,290	46,346	169,978	-	46,346	-
			46,346		123,605	122,202	47,749
Title IV Part A							
210750 2021 Student Support and Academic Enrichment	84.424A	112,720	-	-	83,301	59,823	23,478
200750 1920 Student Support and Academic Enrichment		82,602	9,197	33,884	4,482	13,679	-
			9,197		87,783	73,502	23,478
Education Stabilization Fund							
201200 COVID-19 Governor's Emergency Education Relief (GEER)	84.425C	95,539	-	-	95,539	55,265	40,274
203710 COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	84.425D	828,338	-	-	828,338	335,815	492,523
203720 COVID-19 ESSER Education Equity	84.425D	149,101	-	-	147,532	140,554	6,978
			-		1,071,409	531,634	539,775
Total U.S. Department of Education			598,265		2,743,231	2,207,950	1,133,546
Total Federal Programs			\$ 612,849		\$ 3,945,103	\$ 3,424,406	\$ 1,133,546

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Mount Clemens Community School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Mount Clemens Community School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

Expenditures per the schedule of expenditures of federal awards	\$ 3,945,103
Current year deferred inflows of resources	<u>(256,918)</u>
Federal revenues per the financial statements	<u>\$ 3,688,185</u>

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards.

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

Mount Clemens Community School District
Schedule of Findings and Questioned Costs
June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:
 Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)? yes X no

Identification of major programs:

CFDA Number(s)

21.019
 84.425C / 84.425D

Name of Federal Program or Cluster

Coronavirus Relief Fund
 Education Stabilization Fund

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

Auditee qualified as low-risk auditee? X yes no

Mount Clemens Community School District
Schedule of Findings and Questioned Costs
June 30, 2021

Section II - Government Auditing Standards Findings

Finding 2021-001 - Material Weakness - Material Audit Adjustments

- Criteria:** Management is responsible for the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Also, Michigan Department of Education Bulletin 1022 Michigan Public School Accounting Manual states that the School District must have a system that provides for the design, implementation, and maintenance of effective control-related policies and procedures. This includes performing timely reconciliation and review of all account balances.
- Condition:** During the audit, multiple adjustments were provided in order to reach proper year-end balances. Several of the adjustments were identified by the auditors, while others were provided by the School District. The auditors identified two material adjustments. The first was to record the revenue and corresponding expense for the USDA Entitlements. The second was to adjust the School District's investment balances for current year market activity. A third entry was required to record a capital lease transaction for copiers. This was not a material adjustment.
- Cause and Effect:** The School District's internal controls did not detect all adjustments necessary to properly record year-end balances. As a result of this condition, the District's financial statements were initially misstated by amounts that were material to the financial statements.
- Recommendation:** We recommend that the School District prepare, review, and reconcile all year-end schedules that are used in financial reporting prior to audit fieldwork.
- Views of Responsible Officials:** Management agrees with the finding.
- Corrective Action Plan:** See attached corrective action plan from management.

Mount Clemens Community School District
Schedule of Findings and Questioned Costs
June 30, 2021

Finding 2021-002, 2020-002 - Material Weakness and Material Noncompliance - Material Budget Overage

Criteria:	The Uniform Budgeting and Accounting Act §141.438(3) indicates "...an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body."
Condition:	The School District incurred a material budget overage in the Food Service Fund during the year.
Cause and Effect:	The School District has not established appropriate controls to ensure that the budget is maintained during the year. The budget was not properly monitored allowing the overages to exist.
Recommendation:	We recommend that the School District establish policies and procedures to ensure the budget is properly maintained and monitored throughout the year. This includes providing amendments throughout the year to the Board of Education for approval.
Views of Responsible Officials:	Management agrees with the finding.
Corrective Action Plan:	See attached corrective action plan from management.

Section III - Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2021.

Mount Clemens Community School District
Summary Schedule of Prior Audit Findings
June 30, 2021

Section IV - Prior Audit Findings

Government Auditing Standards Findings

Finding 2020-001 - Significant Deficiency - Unauthorized Compensation

Criteria: Board policy 3120, Employment of Professional Staff, stipulates that the "Board shall approve the employment, and also, when not covered by the terms of a negotiated collective bargaining agreement, fix the compensation and establish the term of employment for each professional staff member employed by this District."

Status: Corrected finding as identified in corrective action plan

Finding 2020-002 - Significant Deficiency - Budget Variances

Criteria: State law requires the District to appropriate funds through the budgeting process and only spend within those amounts approved by the Board of Education.

Status: Partially corrected - see Finding 2021-002

Federal Award Findings

Finding 2020-003 - Significant Deficiency and Noncompliance - Allowable Costs/Cost Principles - Payroll Charges

Federal Program: Title I Grants to Local Educational Agencies (CFDA# 84.010); Passed through MDE; All project numbers

Criteria: The Uniform Guidance requires the District to support payroll charged to federal cost objectives with adequate documentation in accordance with the District's payroll policies, which require approved personnel activity reports, semi-annual certifications or timesheets and rates for hourly individuals.

Status: Corrected finding as identified in corrective action plan

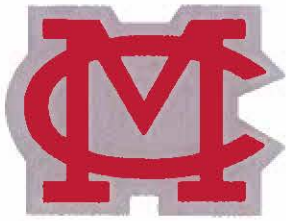
Mount Clemens Community School District
Summary Schedule of Prior Audit Findings
June 30, 2021

Finding 2020-004 - Noncompliance - Matching, Level of Effort and Earmarking - Parental Involvement

Federal Program: Title I Grants to Local Educational Agencies (CFDA# 84.010); Passed through MDE; All project numbers

Criteria: The State of Michigan requires that LEAs with allocations of more than \$500,000 reserve at least 1% of their allocation for parental involvement activities and that the District distribute not less than 95% of the amount reserved for parental involvement to schools receiving Title I services.

Status: Partially corrected - Progress has been made during the year and the magnitude of possible misstatement is no longer significant. However, improvements can continue to be made.



MOUNT CLEMENS COMMUNITY SCHOOLS

155 CASS AVENUE • MOUNT CLEMENS, MICHIGAN 48043

(586) 469-6100 • FAX (586) 469-5569

MONIQUE BEELS, SUPERINTENDENT OF SCHOOLS

CORRECTIVE ACTION PLAN

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in Mount Clemens Community School District's Single Audit report for the year ended June 30, 2021, and corrective actions to be completed.

Finding 2021-001 – Material Weakness – Material Audit Adjustments

Auditor Description of Condition: During the audit, multiple adjustments were provided in order to reach proper year-end balances. Several of the adjustments were identified by the auditors, while others were provided by the School District. The auditors identified two material adjustments. The first was to record the revenue and corresponding expenses for the USDA Entitlements. The second was to adjust the School District's investment balances for current year market activity. A third entry was required to record a capital lease transaction for copiers. This was not a material adjustment.

Auditor Description of Cause and Effect: The School District's internal controls did not detect all adjustments necessary to properly record year-end balances. As a result of this condition, the District's financial statements were initially misstated by amounts that were material to the financial statements.

Auditor Recommendation: We recommend that the School District prepare, review, and reconcile all year-end schedules that are used in financial reporting prior to audit fieldwork.

Corrective Action Plan: Management acknowledges the finding and will take steps to prepare appropriately for future audits. This will include reconciling all year-end schedules prior to audit fieldwork. Management will communicate with auditors prior to field work if there are issues meeting this requirement.

Responsible Person(s): Superintendent/Chief Business Official

Anticipated Completion Date: June 30, 2022

Finding 2021-002 – Material Weakness and Material Noncompliance – Material Audit Adjustments

Auditor Description of Condition: The School District incurred a material budget overage in the Food Service Fund during the year.

Auditor Description of Cause and Effect: The School District has not established appropriate controls to ensure that the budget is maintained during the year. The budget was not properly monitored allowing the overages to exist.

Auditor Recommendation: We recommend that the School District establish policies and procedures to ensure the budget is properly maintained and monitored throughout the year. This includes providing amendments throughout the year to the Board of Education for approval.

Corrective Action Plan: Management acknowledges the finding and will take steps to recruit and retain qualified business staff to ensure budgets are developed, reviewed and amended in compliance with policies, regulations and requirements.

Responsible Person(s): Superintendent/Chief Business Official

Anticipated Completion Date: June 30, 2022



October 26, 2021

Management and the Board of Education
Mount Clemens Community School District
167 Cass Avenue
Mount Clemens, MI

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Mount Clemens Community School District as of and for the year ended June 30, 2021, and have issued our report dated October 26, 2021. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit.

Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

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

Yeo & Yeo, P.C.

Auburn Hills, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The Organization has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2020:

- Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

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

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

The following material misstatements were detected as a result of our audit procedures and corrected by management:

- To record USDA entitlement commodities - increase food service revenues and expenditures by \$49,538
- To adjust investment accounts for market activity during the year - increase student and school activity asset and revenue balances by \$76,717
- Other immaterial adjustments - increased general fund other financing sources and expenditures by \$124,042

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes 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 auditors' report. We are pleased to report we had no such disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Report on Other Supplementary Information

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II Matters for Management's Consideration

In planning and performing our audit of the financial statements of Mount Clemens Community School District as of and for the year ended June 30, 2021, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion 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.

However, during our audit we became aware of several matters for management's consideration that are opportunities for strengthening internal controls. This letter does not affect our report dated October 26, 2021, on the financial statements of Mount Clemens Community School District. Our comments and recommendations regarding those matters are:

Title I Parental Involvement

The State of Michigan requires that LEAs with allocations of more than \$500,000 reserve at least 1% of their allocation for parental involvement activities and that the District distribute not less than 95% of the amount reserved for parental involvement to schools receiving Title I services. This was a federal award finding in the prior year.

During the current year, the School District allocated the proper amount, however, they did not distribute at least 95% of the amount reserved. The School District was able to spend more of the funds in the current year, however, largely due to the pandemic and school closures, meeting restrictions, etc. it was difficult to spend the full amount. We recommend that the School District continue to make every effort to spend these funds to maintain compliance with the grant.

Federal Procedures Manual

Uniform Guidance requires recipients of grants to maintain written policies and procedures addressing the reason they administer their grant program a certain way and should detail how they perform the functions necessary to conform to the policies. The policies and procedures will pertain to both state administered grants and those received directly from Federal agencies.

The School District has maintained this manual, and it contains most of the required elements, however, it is currently outdated and refers to OMB Circular A-87 and Education Department General Administrative Regulations (EDGAR), which were superseded by Uniform Guidance. The manual also contains several broken links to outdated board policies. Lastly, the School District should have procedures in place for sub-recipient monitoring. Though the School District currently does not serve as a pass-through entity for any grant, they are still required to have the procedures in place. We recommend that the School District make necessary updates to this manual to ensure it is in compliance with all requirements.