

Stockbridge Community Schools

Financial Statements

June 30, 2021



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Stockbridge Community Schools
Members of the Board of Education
June 30, 2021

Members of the Board of Education

Carrie Graham – President

Kary Gee – Vice President

Judy Heeney – Secretary

Cindy Lance – Treasurer

Jill Ogden – Trustee

Larry Ostrander – Trustee

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Independent Auditors' Report

Management and the Board of Education
Stockbridge Community Schools
Stockbridge, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Stockbridge Community Schools, 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, the major fund, and the aggregate remaining fund information of Stockbridge Community Schools, 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 Accounting Standard

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.

Other Matters:

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, 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 Stockbridge Community Schools' 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 August 31, 2021 on our consideration of Stockbridge Community Schools' 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 Stockbridge Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stockbridge Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

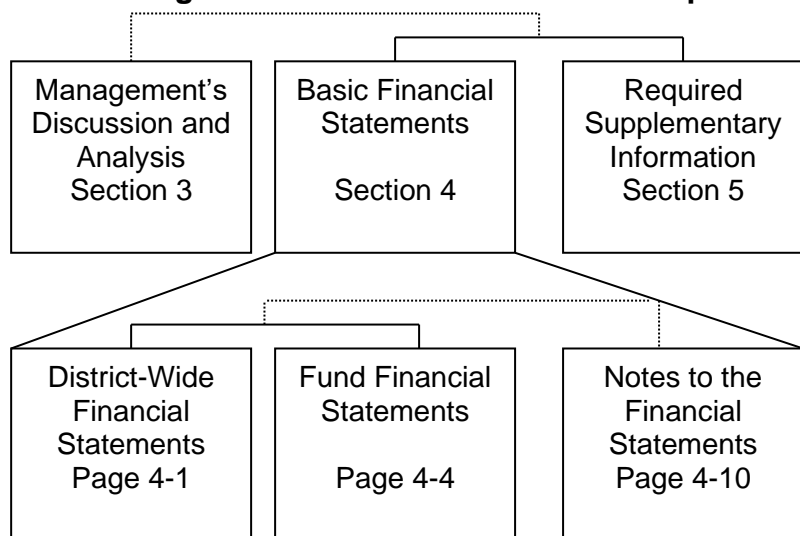
Lansing, MI
August 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Stockbridge Community Schools
Management's Discussion and Analysis
June 30, 2021**

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
Stockbridge Community Schools
Organization of Annual Financial Report**



District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

**Stockbridge Community Schools
Management's Discussion and Analysis
June 30, 2021**

The governmental funds of the District use the following accounting approach:

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

Financial Analysis of the District as a Whole

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

	Governmental Activities Year Ended June 30, 2021	Governmental Activities Year Ended June 30, 2020
Assets and Deferred Outflows		
Current assets	\$ 9,787,282	\$ 8,163,498
Capital assets	42,859,757	42,671,611
Less accumulated depreciation	(15,299,285)	(13,872,709)
Capital assets, net book value	27,560,472	28,798,902
Deferred outflows of resources	7,887,813	8,419,090
Total assets and deferred outflows	<u>45,235,567</u>	<u>45,381,490</u>
Liabilities and Deferred Inflows		
Current liabilities	4,110,932	3,995,846
Long-term liabilities	52,696,227	52,817,697
Deferred inflows of resources	5,228,427	5,498,332
Total liabilities and deferred inflows	<u>62,035,586</u>	<u>62,311,875</u>
Net Position		
Net investment in capital assets	5,306,744	5,828,264
Restricted	530,099	548,780
Unrestricted	(22,636,862)	(23,307,429)
Total net position	<u>\$ (16,800,019)</u>	<u>\$ (16,930,385)</u>

**Stockbridge Community Schools
Management's Discussion and Analysis
June 30, 2021**

The above analysis focuses on the net position. The change in net position of the District's governmental activities is discussed below. By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions and other postemployment benefits. Net investment in capital assets totaling \$5,306,744 and \$5,828,264 at June 30, 2021 and 2020, respectively, compares the original cost, less depreciation of the District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net position for day-to-day operations. Restricted net position was \$530,099 and \$548,780 at June 30, 2021 and 2020, respectively. The remaining amount of net position, (\$22,636,862) and (\$23,307,429) at June 30, 2021 and 2020, respectively, was unrestricted.

The (\$22,636,862) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the changes in net position for fiscal years 2021 and 2020.

	Governmental Activities Year Ended June 30, 2021	Governmental Activities Year Ended June 30, 2020
Revenues		
Program revenues		
Charges for services	\$ 271,288	\$ 502,963
Operating grants and contributions	3,783,666	2,417,871
General revenues		
Property taxes	6,271,374	6,535,581
State aid - unrestricted	6,352,088	6,121,756
Other	808,639	756,069
Total revenues	17,487,055	16,334,240
Expenses		
Instruction	9,919,783	9,792,225
Support services	5,390,253	4,865,632
Food service	596,814	630,898
Community services	405,318	388,277
Athletics	337,603	342,662
Other transactions	846,089	834,306
Total expenses	17,495,860	16,854,000
Increase in net position	\$ (8,805)	\$ (519,760)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$17,495,860. Certain activities were partially funded from those who benefited from the programs (\$271,288) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,783,666). We paid for the remaining "public benefit" portion of our governmental activities with \$6,271,374 in taxes, \$6,352,088 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The District experienced a decrease in net position of \$8,805. Key reasons for the change in net position in 2020-2021 included a decrease in property tax revenues and an increase in instructional costs, including additional needs related to the pandemic including cleaning supplies, PPE and items needed for remote learning.

Stockbridge Community Schools
Management's Discussion and Analysis
June 30, 2021

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

The School District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of \$5,827,303, which is an increase of \$1,367,097 from last year. The primary reasons for the change are as follows:

- In the General Fund, our principal operating fund, the fund balance increased from \$3,248,624 to \$4,231,756. The change is due mainly to lower than budgeted benefit costs, along with federal grants received to cover costs associated with COVID-19. The General Fund balance is available to fund costs related to allowable school operating purposes.
- Special Revenue Funds showed a combined fund balance decrease of \$44,705. The change was due to the unanticipated school closure affecting revenues normally received during a typical school year. GASB 84 was also implemented during the year adding the Student Activity Fund.
- The 2015 Debt Service Fund showed a fund balance decrease of \$28,080. Millage rates decreased to \$1.80 per \$1,000 of taxable value but the Taxable Values increased for the district.

Millage rates are determined annually to ensure that the District accumulates sufficient resources to pay annual bond issue-related debt service. The decrease in the fund is related to the millage rate allocated to taxpayers for the current fiscal year. The 2016 Debt Service Fund showed a fund balance decrease of \$24,420. Millage rates changed to \$1.70 per \$1,000 of taxable value. The 2020 Debt Service Fund showed a fund balance increase of \$31,389. Millage rates were \$.40 per \$1,000 of taxable value. Debt Service Funds fund balances are restricted since they can only be used to pay debt service obligations.

- The 2016 Capital Projects Funds showed a decrease in fund balance of \$176,875. The decrease is related to the construction improvements completed in the district related to the 2016 bond. The 2020 Capital Projects Funds showed an increase in fund balance of \$626,656. The increase is related to a new bond with proceeds totaling \$990,000 offset by expenses for projects during the current year. Capital and projects related to Projects Funds fund balances are restricted since they can only be used to pay for capital projects.

General Fund Budgetary Highlights

Over the course of the year, the 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. The final amendment to the budget was actually adopted just before year-end. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were revisions made to the 2020-2021 General Fund original budget. Budgeted revenues were increased by \$1,892,067 due to additional grant funds from both the federal and state levels.

**Stockbridge Community Schools
Management's Discussion and Analysis
June 30, 2021**

Budgeted expenditures were increased by \$134,645 to account for additional resources necessary to promote safety and distance learning for the students.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the District had \$27,560,472 invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions and depreciation) of \$1,238,430, or 4.30 percent, from last year.

Assets	2021	2020
Land	\$ 380,120	\$ 380,120
Buildings and improvements	38,905,562	38,905,562
Buses and other vehicles	2,160,570	2,132,737
Furniture and equipment	1,413,505	1,253,192
Subtotal	42,859,757	42,671,611
Less accumulated depreciation	(15,299,285)	(13,872,709)
	<u>\$ 27,560,472</u>	<u>\$ 28,798,902</u>

This year's additions of \$311,637 pertained to the purchase of computers, buses, and kitchen equipment. 2020 Building and Site Bonds were issued in relation to ongoing technology and busing purchases approved with the original 2016 Bond.

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the District had \$23,138,497 in debt outstanding versus \$23,456,563 in the previous year - a change of 1.36 percent. Debt consisted of the following:

	June 30, 2021	June 30, 2020
2015 Refunding Bonds	\$ 4,380,000	\$ 5,200,000
2016 Building and Site Bonds	15,695,000	15,830,000
2020 Building and Site Bonds	825,000	-
Premium on Bonds	2,085,144	2,243,225
Compensated Absences	153,353	183,338
	<u>\$ 23,138,497</u>	<u>\$ 23,456,563</u>

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. If the District issues "qualified debt", i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District's outstanding unqualified general obligation debt of \$20,900,000 is significantly below the statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the District's 2021-2022 fiscal year budget. Other budget factors affecting the budget are student count, state foundation revenue, and the continuing presence of uncertainty caused by the pandemic. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for fiscal year 2021 is 90 percent of the October 2020 student counts and 10 percent of the February 2021 student counts, respectively. The 2021-2022 budget was adopted in June 2021, based on an estimate of students who will be enrolled in September 2021. Approximately 80

Stockbridge Community Schools
Management's Discussion and Analysis
June 30, 2021

percent of total General Fund revenue is from the foundation allowance. Under state law, the District cannot assess additional property tax revenue for general operations. As a result, district funding in the 2021-2022 school year, we anticipate that the fall student count will be down slightly from the estimates used in creating the 2021-2022 budget. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimated funding will increase for the 2021-2022 school year, though the determination as to length of time the increase will remain in effect is still unknown. When developing the budget, the district assumed an \$164 increase. Since the approval of the proposed budget the state passed an increase of \$589 per pupil.

Additionally, the district will be receiving ESSER II in the amount of \$292,838.00 and ESSER III in the amount of \$1,509,419 as part of the COVID-19 relief funding efforts passed in the Coronavirus Response Relief Supplemental Appropriations (CRRSA) and the American Rescue Plan Act (ARPA).

Requests for Information

This financial report is designed to give a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to the Superintendent and Finance Director, Stockbridge Community Schools, 100 Price Avenue, Stockbridge, Michigan, 49285; telephone number 517-851-7188.

BASIC FINANCIAL STATEMENTS

Stockbridge Community Schools
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash	\$ 6,751,252
Restricted cash	1,292,614
Accounts receivable	16,178
Due from other governmental units	1,648,241
Inventory	11,699
Prepaid items	67,298
Capital assets not being depreciated	380,120
Capital assets - net of accumulated depreciation	<u>27,180,352</u>
 Total assets	 <u>37,347,754</u>
 Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	5,722,767
Deferred amount relating to the net OPEB liability	2,060,286
Deferred amount on debt refunding	<u>104,760</u>
 Total deferred outflows of resources	 <u>7,887,813</u>

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Statement of Net Position
June 30, 2021

	Governmental Activities
Liabilities	
Accounts payable	\$ 158,189
State aid anticipation note payable	2,008,271
Due to other governmental units	3,277
Accrued expenditures	800,994
Accrued salaries payable	964,672
Unearned revenue	175,529
Long-term liabilities	
Net pension liability	25,521,398
Net OPEB liability	4,036,332
Debt due within one year	1,200,000
Debt due in more than one year	<u>21,938,497</u>
Total liabilities	<u>56,807,159</u>
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	1,861,912
Deferred amount relating to the net OPEB liability	<u>3,366,515</u>
Total deferred inflows of resources	<u>5,228,427</u>
Net Position	
Net investment in capital assets	5,306,744
Restricted for	
Debt service	530,099
Unrestricted	<u>(22,636,862)</u>
Total net position	<u>\$ (16,800,019)</u>

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	
Functions/Programs				
Governmental activities				
Instruction	\$ 9,919,783	\$ 178,845	\$ 2,247,207	\$ (7,493,731)
Supporting services	5,390,253	48,481	908,458	(4,433,314)
Food services	596,814	8,201	525,600	(63,013)
Community services	405,318	23,124	102,328	(279,866)
Athletics	337,603	12,637	73	(324,893)
Interest and fiscal charges on long-term debt	846,089	-	-	(846,089)
Total governmental activities	\$ 17,495,860	\$ 271,288	\$ 3,783,666	(13,440,906)
General revenues				
Property taxes, levied for general purposes				4,217,794
Property taxes, levied for debt service				2,053,580
State aid - unrestricted				6,352,088
Special Education county allocation				772,893
Interest and investment earnings				23,003
Gain on sale of capital assets				6,231
Other				6,512
Total general revenues				13,432,101
Change in net position				(8,805)
Net position - beginning, as restated				(16,791,214)
Net position - ending				\$(16,800,019)

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Balance Sheet
June 30, 2021

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 5,271,239	\$ 1,480,013	\$ 6,751,252
Restricted cash	1,292,614	-	1,292,614
Accounts receivable	16,178	-	16,178
Due from other funds	362	120,015	120,377
Due from other governmental units	1,639,370	8,871	1,648,241
Inventory	-	11,699	11,699
Prepaid items	<u>65,873</u>	<u>1,425</u>	<u>67,298</u>
Total assets	<u>\$ 8,285,636</u>	<u>\$ 1,622,023</u>	<u>\$ 9,907,659</u>
Liabilities			
Accounts payable	\$ 157,924	\$ 265	\$ 158,189
State aid anticipation note payable	2,008,271	-	2,008,271
Due to other funds	120,015	362	120,377
Due to other governmental units	3,277	-	3,277
Accrued expenditures	643,783	6,258	650,041
Accrued salaries payable	955,953	8,719	964,672
Unearned revenue	<u>164,657</u>	<u>10,872</u>	<u>175,529</u>
Total liabilities	<u>4,053,880</u>	<u>26,476</u>	<u>4,080,356</u>

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Balance Sheet
June 30, 2021

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances			
Non-spendable			
Inventory	\$ -	\$ 11,699	\$ 11,699
Prepaid items	65,873	1,425	67,298
Restricted for			
Food service	-	146,674	146,674
Debt service	-	681,052	681,052
Capital projects	-	626,656	626,656
Committed	-	128,041	128,041
Unassigned	<u>4,165,883</u>	<u>-</u>	<u>4,165,883</u>
 Total fund balances	 <u>4,231,756</u>	 <u>1,595,547</u>	 <u>5,827,303</u>
 Total liabilities and fund balances	 <u>\$ 8,285,636</u>	 <u>\$ 1,622,023</u>	 <u>\$ 9,907,659</u>

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2021

Total fund balances for governmental funds	\$ 5,827,303
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets not being depreciated	380,120
Capital assets - net of accumulated depreciation	27,180,352
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	104,760
Deferred inflows of resources resulting from the net pension liability	(1,861,912)
Deferred inflows of resources resulting from the net OPEB liability	(3,366,515)
Deferred outflows of resources resulting from the net pension liability	5,722,767
Deferred outflows of resources resulting from the net OPEB liability	2,060,286
Certain liabilities are not due and payable in the current period and are not reported in the funds	
Accrued interest	(150,953)
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	(25,521,398)
Net OPEB liability	(4,036,332)
Compensated absences	(153,353)
Bonds payable	<u>(22,985,144)</u>
Net position of governmental activities	<u>\$ (16,800,019)</u>

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 5,286,684	\$ 2,144,760	\$ 7,431,444
State sources	8,295,884	53,330	8,349,214
Federal sources	<u>1,158,642</u>	<u>541,524</u>	<u>1,700,166</u>
Total revenues	<u>14,741,210</u>	<u>2,739,614</u>	<u>17,480,824</u>
Expenditures			
Current			
Education			
Instruction	8,678,495	-	8,678,495
Supporting services	4,368,563	92,548	4,461,111
Food services	-	514,464	514,464
Community services	394,158	-	394,158
Athletic activities	328,308	-	328,308
Capital outlay	37,196	590,578	627,774
Debt service			
Principal	-	1,120,000	1,120,000
Interest and other expenditures	<u>-</u>	<u>985,648</u>	<u>985,648</u>
Total expenditures	<u>13,806,720</u>	<u>3,303,238</u>	<u>17,109,958</u>
Excess (deficiency) of revenues over expenditures	<u>934,490</u>	<u>(563,624)</u>	<u>370,866</u>

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)			
Proceeds from issuance of bonds	\$ -	\$ 990,000	\$ 990,000
Proceeds from sale of capital assets	6,231	-	6,231
Transfers in	42,411	-	42,411
Transfers out	<u>-</u>	<u>(42,411)</u>	<u>(42,411)</u>
Total other financing sources (uses)	<u>48,642</u>	<u>947,589</u>	<u>996,231</u>
Net change in fund balances	983,132	383,965	1,367,097
Fund balances - beginning, as restated	<u>3,248,624</u>	<u>1,211,582</u>	<u>4,460,206</u>
Fund balances - ending	<u>\$ 4,231,756</u>	<u>\$ 1,595,547</u>	<u>\$ 5,827,303</u>

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
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	\$ 1,367,097
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,550,067)
Capital outlay	311,637
Expenses are recorded when incurred in the statement of activities.	
Interest	2,430
Compensated absences	29,985
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	(1,364,599)
Net change in deferrals of resources related to the net pension liability	130,525
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	1,168,003
Net change in deferrals of resources related to the net OPEB liability	(370,945)
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, discounts and similar items 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	(990,000)
Repayments of long-term debt	1,120,000
Amortization of premiums	158,081
Amortization of deferred amount on debt refunding	(20,952)
Change in net position of governmental activities	\$ <u>(8,805)</u>

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Stockbridge Community Schools (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.). 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.

Stockbridge Community Schools
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 fund:

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.

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 and Nutrition Fund and Student Activity Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Assets, Liabilities and Net Position or Equity

Cash – Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

The School District has restricted cash of \$1,292,614 that is held by an agent for the future payoff of the State Aid Anticipation Notes.

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, 2021, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	3.90000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries.

Property taxes are levied as of December 1 and the actual due date is 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 counties of Ingham,

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

Jackson, Livingston, and Washtenaw 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.

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	10 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	8 - 15 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 School District has recorded all liabilities associated with sick and vacation days that are considered payable from future resources. These are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

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.

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

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 balance 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.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the budget or finance committee or a delegated municipality official 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.

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

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 are: (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.

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.

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

Excess of Expenditures over Appropriations

The School District did not have significant expenditure budget variances.

Compliance - Bond Proceeds

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2016 and 2020 Capital Project Funds from the inception of the funds through the current fiscal year:

	2016 Capital Projects	2020 Capital Projects	Total
Revenues	\$ 19,749,891	\$ 1,033,432	\$ 20,783,323
Expenditures	19,749,891	406,776	20,156,667

Note 3 - Deposits and Investments

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 7,369,961
Investments in securities, mutual funds, and similar vehicles	673,200
Petty cash and cash on hand	<u>705</u>
Total	<u>\$ 8,043,866</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				
MAX Class	\$ 621,900	6 months average	AAAm	Standard & Poor's
Cash Management Class	<u>51,300</u>	6 months average	AAAm	Standard & Poor's
	<u>\$ 673,200</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 \$673,200. 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.

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

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.

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, \$5,646,102 of the School District’s bank balance of \$6,146,102 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 - 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	\$ 380,120	\$ -	\$ -	\$ 380,120
Capital assets being depreciated				
Building and building improvements	38,905,562	-	-	38,905,562
Furniture and equipment	2,132,737	27,833	-	2,160,570
Buses and other vehicles	1,253,192	283,804	123,491	1,413,505
Total capital assets being depreciated	42,291,491	311,637	123,491	42,479,637
Less accumulated depreciation for				
Building and building improvements	12,210,669	1,233,092	-	13,443,761
Furniture and equipment	1,128,842	165,111	-	1,293,953
Buses and other vehicles	533,198	151,864	123,491	561,571
Total accumulated depreciation	13,872,709	1,550,067	123,491	15,299,285
Net capital assets being depreciated	28,418,782	(1,238,430)	-	27,180,352
Net capital assets	\$ 28,798,902	\$ (1,238,430)	\$ -	\$ 27,560,472

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 985,219
Supporting services	506,444
Food services	<u>58,404</u>
 Total governmental activities	 \$ <u>1,550,067</u>

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 120,015
General Fund	Nonmajor Governmental Funds	<u>362</u>
		<u>\$ 120,377</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 to the General Fund from the Food and Nutrition Fund totaling \$42,411. This transfer was made to cover indirect costs applicable to the Food and Nutrition Fund that were initially borne by the General Fund.

Note 6 - 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	\$ 162,154
Food service deposits	10,872
Other	<u>2,503</u>
 Total	 \$ <u>175,529</u>

Note 7 - 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. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

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

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ <u>2,026,000</u>	\$ <u>2,008,271</u>	\$ <u>2,026,000</u>	\$ <u>2,008,271</u>

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, 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
General obligation bonds	\$ 21,030,000	\$ 990,000	\$ 1,120,000	\$ 20,900,000	\$ 1,155,000
Compensated absences	183,338	15,989	45,974	153,353	45,000
Premium on bonds	<u>2,243,225</u>	<u>-</u>	<u>158,081</u>	<u>2,085,144</u>	<u>-</u>
Total	<u>\$ 23,456,563</u>	<u>\$ 1,005,989</u>	<u>\$ 1,324,055</u>	<u>\$ 23,138,497</u>	<u>\$ 1,200,000</u>

For governmental activities, compensated absences are primarily liquidated by the General Fund.

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

\$990,000 2020 Building and Site Bonds due in annual installments of \$175,000 to \$220,000 through May 1, 2026, interest at 1.75% to 1.90% payable semi-annually.	\$ 825,000
\$9,250,000 2015 Refunding Bonds due in annual installments of \$845,000 to \$895,000 through May 1, 2036, interest at 3.00% payable semi-annually.	4,380,000
\$16,790,000 2016 Building and Site Bonds due in annual installments of \$135,000 to \$1,675,000 through May 1, 2026, interest at 4.00% to 5.00% payable semi-annually.	<u>15,695,000</u>
Total general obligation bonded debt	<u>\$ 20,900,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,155,000	\$ 925,843	\$ 2,080,843
2023	1,215,000	892,030	2,107,030
2024	1,250,000	856,750	2,106,750
2025	1,245,000	820,430	2,065,430
2026	1,310,000	784,150	2,094,150
2027-2031	6,750,000	3,031,250	9,781,250
2032-2036	<u>7,975,000</u>	<u>1,218,750</u>	<u>9,193,750</u>
Total	<u>\$ 20,900,000</u>	<u>\$ 8,529,203</u>	<u>\$ 29,429,203</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, those funds had a balance of \$681,052 to pay this debt. Future debt and interest will be payable from future tax levies.

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

Compensated Absences

Accrued compensated absences at year end consist of \$153,353 of vacation and sick days earned and vested. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Note 9 - Risk Management

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, inland marine, equipment breakdown, builder's risk, employee dishonesty, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

Note 10 - 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.

Stockbridge Community Schools
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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 October 1, 2019 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal 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 \$2,041,744 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 \$25,521,398 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The 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 0.0743 percent, which was an increase of 0.0014 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 \$3,295,156 for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total pension contribution expense of \$2,264,907.

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

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	\$ 389,946	\$ (54,472)	\$ 335,474
Changes in assumptions	2,828,017	-	2,828,017
Net difference between projected and actual earnings on pension plan investments	107,229	-	107,229
Changes in proportion and differences between district contributions and proportionate share of contributions	290,723	(830,111)	(539,388)
Total to be recognized in future	3,615,915	(884,583)	2,731,332
District contributions subsequent to the measurement date	2,106,852	(977,329)	1,129,523
	\$ 5,722,767	\$ (1,861,912)	\$ 3,860,855

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 ended 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 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	2022	2023	2024
	\$ 1,137,012	839,030	543,034	212,256
				\$ 2,731,332

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.

Stockbridge Community Schools
Notes to the Financial Statements
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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.

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 Return*
Domestic Equity Pools	28.0 %	5.6%
Alternative Investment Pools	16.0	9.6
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.*

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

Rate of Return

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

Discount Rate

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

Sensitivity of the 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%
\$ 33,033,121	\$ 25,521,398	\$ 19,295,855

**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.

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Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the

premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning 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.

Stockbridge Community Schools
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June 30, 2021

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 October 1, 2019 and ending September 30, 2038.

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

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the School District were \$532,318 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 \$4,036,332 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 0.0753 percent, which was an increase of 0.0028 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 (\$196,613) during the measurement period. For the reporting period ending June 30, 2021, the School District recognized total OPEB contribution expense of \$559,251.

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	\$ -	\$ (3,007,445)	\$ (3,007,445)
Changes in assumptions	1,330,859	-	1,330,859
Net difference between projected and actual earnings on OPEB plan investments	33,688	-	33,688
Changes in proportion and differences between district contributions and proportionate share of contributions	205,528	(359,070)	(153,542)
Total to be recognized in future District contributions subsequent to the measurement date	490,211	-	490,211
	<u>\$ 2,060,286</u>	<u>\$ (3,366,515)</u>	<u>\$ (1,306,229)</u>

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

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

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

	2021	\$	(531,152)		
	2022		(484,587)		
	2023		(371,943)		
	2024		(238,257)		
	2025		(170,501)		
			(1,796,440)		
		<u>\$</u>	<u>(1,796,440)</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 – 12.3%, including wage inflation at 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.

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.

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

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 Return
Domestic Equity Pools	28.0 %	5.6%
Alternative Investment Pools	16.0	9.6
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/Oppportunistic 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 fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

Sensitivity of the 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%
\$ 5,185,127	\$ 4,036,332	\$ 3,069,143

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2021

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
\$ 3,032,111	\$ 4,036,332	\$ 5,178,510

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 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 12 - 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.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the various municipalities. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2021, the School District's property tax revenues were reduced by \$0 under these programs.

There are no significant abatements made by the School District.

Note 14 - 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 reduce beginning fund balance in the Student Activity Fund as of July 1, 2020 by \$139,171, restating it from \$0 to \$139,171 and to increase beginning net position in the statement of activities as of July 1, 2020 by \$139,171, restating it from (\$16,930,385) to (\$16,791,214).

REQUIRED SUPPLEMENTARY INFORMATION

Stockbridge Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 5,396,518	\$ 5,340,917	\$ 5,286,684	\$ (54,233)
State sources	7,281,314	8,445,896	8,295,884	(150,012)
Federal sources	<u>573,122</u>	<u>1,356,208</u>	<u>1,158,642</u>	<u>(197,566)</u>
Total revenues	<u>13,250,954</u>	<u>15,143,021</u>	<u>14,741,210</u>	<u>(401,811)</u>
Expenditures				
Instruction				
Basic programs	7,662,344	7,705,808	7,376,538	(329,270)
Added needs	1,403,112	1,463,925	1,301,957	(161,968)
Supporting services				
Pupil	485,646	505,555	474,004	(31,551)
Instructional staff	637,985	687,617	594,775	(92,842)
General administration	390,927	291,719	281,142	(10,577)
School administration	811,827	876,473	829,907	(46,566)
Business	414,662	438,125	386,153	(51,972)
Operations and maintenance	1,168,883	1,317,454	1,265,278	(52,176)
Pupil transportation services	701,064	549,813	503,278	(46,535)
Central	50,441	40,472	34,026	(6,446)
Community services	491,380	492,153	394,158	(97,995)
Athletic activities	364,034	351,203	328,308	(22,895)
Capital outlay	<u>62,420</u>	<u>42,925</u>	<u>37,196</u>	<u>(5,729)</u>
Total expenditures	<u>14,644,725</u>	<u>14,763,242</u>	<u>13,806,720</u>	<u>(956,522)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,393,771)</u>	<u>379,779</u>	<u>934,490</u>	<u>554,711</u>

Stockbridge Community Schools
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)				
Proceeds from sale of capital assets	\$ 5,850	\$ 5,850	\$ 6,231	\$ 381
Transfers in	25,000	25,000	42,411	17,411
Transfers out	<u>(6,806)</u>	<u>(22,934)</u>	<u>-</u>	<u>22,934</u>
Total other financing sources (uses)	<u>24,044</u>	<u>7,916</u>	<u>48,642</u>	<u>40,726</u>
Net change in fund balance	(1,369,727)	387,695	983,132	595,437
Fund balance - beginning	<u>3,248,624</u>	<u>3,248,624</u>	<u>3,248,624</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,878,897</u>	<u>\$ 3,636,319</u>	<u>\$ 4,231,756</u>	<u>\$ 595,437</u>

Stockbridge Community Schools
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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School District's proportion of net pension liability (%)	0.0743%	0.0729%	0.0760%	0.0795%	0.0815%	0.0821%	0.0824%			
B. School District's proportionate share of net pension liability	\$25,521,398	\$ 24,156,799	\$ 22,849,380	\$ 20,602,451	\$ 20,327,451	\$ 20,054,100	\$ 18,138,283			
C. School District's covered payroll	\$ 6,658,650	\$ 6,319,148	\$ 6,275,283	\$ 6,609,468	\$ 6,845,114	\$ 6,395,384	\$ 6,889,539			
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	383.28%	382.28%	364.12%	311.71%	296.96%	313.57%	263.27%			
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 benefits 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.

Stockbridge Community Schools
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	\$ 2,264,907	\$ 2,021,155	\$ 1,910,122	\$ 2,104,996	\$ 1,247,336	\$ 1,859,633	\$ 1,505,295			
B. Contributions in relation to statutorily required contributions	<u>2,264,907</u>	<u>2,021,155</u>	<u>1,910,122</u>	<u>2,401,996</u>	<u>1,247,336</u>	<u>1,859,633</u>	<u>1,505,295</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	\$ 6,709,649	\$ 6,576,231	\$ 6,268,605	\$ 6,338,478	\$ 6,655,674	\$ 6,136,223	\$ 6,889,539			
E. Contributions as a percentage of covered payroll	33.76%	30.73%	30.47%	37.90%	18.74%	30.31%	21.85%			

Stockbridge Community Schools
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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School District's proportion of net OPEB liability (%)	0.0753%	0.0725%	0.0739%	0.0798%						
B. School District's proportionate share of net OPEB liability	\$ 4,036,332	\$ 5,204,335	\$ 5,873,144	\$ 7,068,792						
C. School District's covered payroll	\$ 6,658,650	\$ 6,319,148	\$ 6,275,283	\$ 6,609,468						
D. School District's proportionate share of net OPEB liability as a percentage of its covered payroll	60.62%	82.36%	93.59%	106.95%						
E. Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%						

Note Disclosures

Changes of benefits 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.

Stockbridge Community Schools
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	\$ 559,251	\$ 493,642	\$ 501,809	\$ 474,667						
B. Contributions in relation to statutorily required contributions	<u>559,251</u>	<u>493,642</u>	<u>501,809</u>	<u>474,667</u>						
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D. School District's covered payroll	\$ 6,709,649	\$ 6,576,231	\$ 6,268,605	\$ 6,338,478						
E. Contributions as a percentage of covered payroll	8.34%	7.51%	8.01%	7.49%						

OTHER SUPPLEMENTARY INFORMATION

Stockbridge Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>			<u>Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food and Nutrition</u>	<u>Student Activity</u>	<u>2015 Debt</u>	<u>2016 Debt</u>	<u>2020 Debt</u>	<u>2016 Capital Projects</u>	<u>2020 Capital Projects</u>	
Assets								
Cash	\$ 86,613	\$ 128,395	\$ 162,511	\$ 487,417	\$ 31,397	\$ -	\$ 583,680	\$ 1,480,013
Due from other funds	77,039	-	-	-	-	-	42,976	120,015
Due from other governmental units	8,871	-	-	-	-	-	-	8,871
Inventory	11,699	-	-	-	-	-	-	11,699
Prepaid items	1,425	-	-	-	-	-	-	1,425
Total assets	<u>\$ 185,647</u>	<u>\$ 128,395</u>	<u>\$ 162,511</u>	<u>\$ 487,417</u>	<u>\$ 31,397</u>	<u>\$ -</u>	<u>\$ 626,656</u>	<u>\$ 1,622,023</u>
Liabilities								
Accounts payable	\$ -	\$ -	\$ 122	\$ 143	\$ -	\$ -	\$ -	\$ 265
Due to other funds	-	354	-	-	8	-	-	362
Accrued expenditures	6,258	-	-	-	-	-	-	6,258
Accrued salaries payable	8,719	-	-	-	-	-	-	8,719
Unearned revenue	10,872	-	-	-	-	-	-	10,872
Total liabilities	<u>25,849</u>	<u>354</u>	<u>122</u>	<u>143</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>26,476</u>

Stockbridge Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>			<u>Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food and Nutrition</u>	<u>Student Activity</u>	<u>2015 Debt</u>	<u>2016 Debt</u>	<u>2020 Debt</u>	<u>2016 Capital Projects</u>	<u>2020 Capital Projects</u>	
Fund Balances								
Non-spendable								
Inventory	\$ 11,699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,699
Prepaid items	1,425	-	-	-	-	-	-	1,425
Restricted for								
Food service	146,674	-	-	-	-	-	-	146,674
Debt service	-	-	162,389	487,274	31,389	-	-	681,052
Capital projects	-	-	-	-	-	-	626,656	626,656
Committed	-	128,041	-	-	-	-	-	128,041
Total fund balances	<u>159,798</u>	<u>128,041</u>	<u>162,389</u>	<u>487,274</u>	<u>31,389</u>	<u>-</u>	<u>626,656</u>	<u>1,595,547</u>
Total liabilities and fund balances	<u>\$ 185,647</u>	<u>\$ 128,395</u>	<u>\$ 162,511</u>	<u>\$ 487,417</u>	<u>\$ 31,397</u>	<u>\$ -</u>	<u>\$ 626,656</u>	<u>\$ 1,622,023</u>

Stockbridge Community Schools
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>Debt Service Funds</u>			<u>Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food and Nutrition</u>	<u>Student Activity</u>	<u>2015 Debt</u>	<u>2016 Debt</u>	<u>2020 Debt</u>	<u>2016 Capital Projects</u>	<u>2020 Capital Projects</u>	
Revenues								
Local sources	\$ 8,635	\$ 81,418	\$ 948,588	\$ 896,019	\$ 209,571	\$ 73	\$ 456	\$ 2,144,760
State sources	53,330	-	-	-	-	-	-	53,330
Federal sources	498,548	-	-	-	-	-	42,976	541,524
Total revenues	<u>560,513</u>	<u>81,418</u>	<u>948,588</u>	<u>896,019</u>	<u>209,571</u>	<u>73</u>	<u>43,432</u>	<u>2,739,614</u>
Expenditures								
Current								
Education								
Supporting services	-	92,548	-	-	-	-	-	92,548
Food services	514,464	-	-	-	-	-	-	514,464
Capital outlay	37,213	-	-	-	-	176,948	376,417	590,578
Debt service								
Principal	-	-	820,000	135,000	165,000	-	-	1,120,000
Interest and other expenditures	-	-	156,668	785,439	13,182	-	30,359	985,648
Total expenditures	<u>551,677</u>	<u>92,548</u>	<u>976,668</u>	<u>920,439</u>	<u>178,182</u>	<u>176,948</u>	<u>406,776</u>	<u>3,303,238</u>
Excess (deficiency) of revenues over expenditures	<u>8,836</u>	<u>(11,130)</u>	<u>(28,080)</u>	<u>(24,420)</u>	<u>31,389</u>	<u>(176,875)</u>	<u>(363,344)</u>	<u>(563,624)</u>
Other Financing Sources (Uses)								
Proceeds from issuance of bonds	-	-	-	-	-	-	990,000	990,000
Transfers out	(42,411)	-	-	-	-	-	-	(42,411)
Total other financing sources (uses)	<u>(42,411)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>990,000</u>	<u>947,589</u>
Net change in fund balance	<u>(33,575)</u>	<u>(11,130)</u>	<u>(28,080)</u>	<u>(24,420)</u>	<u>31,389</u>	<u>(176,875)</u>	<u>626,656</u>	<u>383,965</u>
Fund balances - beginning, as restated	<u>193,373</u>	<u>139,171</u>	<u>190,469</u>	<u>511,694</u>	<u>-</u>	<u>176,875</u>	<u>-</u>	<u>1,211,582</u>
Fund balances - ending	<u>\$ 159,798</u>	<u>\$ 128,041</u>	<u>\$ 162,389</u>	<u>\$ 487,274</u>	<u>\$ 31,389</u>	<u>\$ -</u>	<u>\$ 626,656</u>	<u>\$ 1,595,547</u>