

Anchor Bay School District

Year Ended
June 30, 2021

Financial
Statements and
Single Audit Act
Compliance

Rehmann

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ANCHOR BAY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

October 21, 2021

Board of Education
Anchor Bay School District
Casco Township, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Independent 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 of 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.

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Opinions

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

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of outstanding bonded indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

As management of Anchor Bay School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

Financial Highlights

• Total net position	\$ (139,011,166)
• Change in total net position	(918,210)
• Fund balances, governmental funds	7,390,432
• Change in fund balances, governmental funds	109,789
• Unassigned fund balance, general fund	2,821,426
• Change in fund balance, general fund	1,150,800
• Installment debt outstanding	178,491,894
• Change in installment debt	20,000,000
• Capital assets, net	159,351,058

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, supporting services, community service, food service, international programs and student operations.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$139,011,166 at the close of the most recent fiscal year.

Net position invested in capital assets, net of related outstanding debt used to acquire those assets, amounted to \$9,530,735 at June 30, 2021. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

	Net Position	
	Governmental Activities	
	2021	2020
Current and other assets	\$ 22,250,763	\$ 17,925,738
Capital assets, net	159,351,058	163,519,473
Total assets	181,601,821	181,445,211
Deferred outflows of resources	42,409,242	48,407,769
Current and other liabilities	167,058,111	162,607,128
Long-term debt	180,186,646	189,744,231
Total liabilities	347,244,757	352,351,359
Deferred inflows of resources	15,777,472	15,594,577
Net position:		
Net investment in capital assets	9,530,735	58,642,387
Restricted	379,867	214,505
Unrestricted (deficit)	(148,921,768)	(196,949,848)
Total net position	\$ (139,011,166)	\$ (138,092,956)

The District is required to report its proportionate share of the MPSERS net pension liability of \$131,183,239 and net other postemployment benefits liability of \$20,387,278 as presented on the statement of net position. This requirement directly effects the District's net position as of year end, which was a deficit of \$139,011,166.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

Restricted net position represents amounts subject to external restrictions such as amounts restricted for food service. The District also reported a deficit of \$148,921,768 as unrestricted net position. The negative balance is mainly related to the District's proportionate share of the MPSERS net pension liability, net other postemployment benefit liability and the District's general obligation bonded debt and school bond loan fund.

	Changes in Net Position	
	Governmental Activities	
	2021	2020
Program revenues:		
Charges for services	\$ 1,597,387	\$ 4,550,978
Operating grants and contributions	18,207,147	13,420,321
General revenues:		
Property taxes	18,497,585	17,587,286
Unrestricted state aid	41,107,695	40,352,158
Other general revenues	2,808,315	445,531
Total revenues	82,218,129	76,356,274
Expenses:		
Instruction	43,526,104	43,381,899
Supporting services	25,549,944	25,213,891
Community service	561,929	700,785
Food service	2,360,843	2,404,554
International programs	-	458,330
Student operations	662,035	1,492,753
Interest on long-term debt	5,078,050	6,286,313
Unallocated depreciation	5,397,434	5,597,421
Total expenses	83,136,339	85,535,946
Change in net position	(918,210)	(9,179,672)
Net position, beginning of year	(138,092,956)	(128,913,284)
Net position, end of year	\$ (139,011,166)	\$ (138,092,956)

The District's net position decreased by \$918,210 during the current year as compared to a decrease of \$9,179,672 in the previous year. The changes in the net position are primarily related to the District's proportionate share of the MPSERS net pension liability and net other postemployment benefit liability.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,390,432, an increase of \$109,789 in comparison with the prior year. Approximately 38% of this total amount (\$2,821,426) is unassigned fund balance. The remainder of fund balance is nonspendable because the underlying assets are included in inventory and prepaid items, is assigned because the amounts are constrained by the District's intent to be used for specific purposes, is committed for student activities, or is restricted for food service, capital projects or debt service, and not available for current expenditure.

General Fund. The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,821,426, while the total fund balance for the general fund was \$2,967,563. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 4% of total general fund expenditures. This percentage is higher than in 2019-2020.

The fund balance of the District's general fund increased by \$1,150,800, during the current fiscal year. The unassigned fund balance increased by \$1,021,918. The overall increase in fund balance is attributed primarily to a reduction in staffing. Setting aside the additional staff wages and benefit related expenditures related to COVID-19, that were paid by COVID-19 grant funds, the District reduced its staff related expenditures by nearly \$800,000 in the 2020-21 school year.

Capital Projects funds. Fund balance of \$2,880,526 is restricted for projects approved by the voters of the District. Two series of bonds were issued to finance the projects and capital expenditures related to those bond proceeds are recorded in the 2017 and 2019 capital projects funds. \$10,930,000 was issued on June 6, 2017 and \$11,605,000 was issued on January 23, 2019 which represent series I and II, respectively. The District is using these funds for the following major projects: building upgrades such as new windows, flooring, HVAC controls systems and ventilation improvements, secure entrance controls, STEM equipment in classrooms, new computers, playground and kitchen upgrades, paving, and the installation of new LED lighting. In addition, athletic upgrades included resurfacing the tracks and tennis courts, installing new bleachers, a new synthetic turf field was installed at the high school, and upgrades to the locker rooms, mechanical, fire systems, and lighting in the aquatic center, as well as purchased school buses. Thanks to the continued support of the community, the bond proposal approved by the voters in 2017 has allowed the District to protect the community's building assets and maintain the educational goals of the District.

2016 School Bond Loan Fund. This fund's purpose is to account for the activity related to the series B 2016 refunding bonds and borrowing from the school bond loan fund to pay those general obligation bonds. During the year, \$25,242,707 was borrowed from the school bond loan revolving fund and \$2,543,946 of property tax revenues were used to pay \$25,445,000 in principal and \$563,005 in interest on the 2016 refunding bonds, series B. Additionally, proceeds from the 2020 bond refunding in the amount of \$52,407,045 were used to pay down the principal and interest related to that school bond loan.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

General Fund Budgetary Highlights

The District revises its budget throughout the school year to reflect changes in the assumptions made during budget development when actual data becomes available for both revenue and expenditures. Typically, budget adjustments are required to reflect changes in student counts, staffing levels, unanticipated changes in costs, and grant award assumptions. These preliminary assumptions are incorporated into the budget that is required by state law to be approved by the Anchor Bay School District, Board of Education by July 1 of each year. The State Legislatures' fiscal year does not begin until October 1 of that same year. This discrepancy makes it difficult to approve a budget without all of the necessary information for the budget development process.

Our elected District officials and school administration must account for many factors during the development of the District budget. Over the course of the year, the School District revises its budget to reflect changes as actual data becomes available. State Law requires that budget amendments be formally adopted to ensure that expenditures do not exceed appropriations. The School District amended the budget during the 2020/2021 fiscal year. The final amendment to the Budget was adopted in June 2021. A statement showing the District's original and final budget amounts compared to actual is provided in the financial statements with the accompanying notes as a required.

The general fund actual revenue and other financing sources was \$65,215,367. That amount is less than the final budget estimate of \$65,359,455. The variance was \$144,088, or 0.22%.

The actual expenditures and other financing uses of the general fund were \$64,064,567, which is below the final budget estimate of \$64,721,299. The variance was \$656,732, or 1.01%. The primary variance was due to contributing factors including planned grant expenditures that were deferred to the next fiscal year and maintenance related expenditures that were deferred until after the 2020-21 school year.

Revenues increased by \$3,520,731 between the original and final budgets during the year. Changes in revenues between the original and final budgets during the year occur due to fluctuations in anticipated enrollment, changes in categorical revenue from the State, including retirement offsets for MPSERS reimbursements and UAAL funding, and State and Federal COVID grant awards that were awarded after approval of the original budget.

Expenditures were increased by \$2,997,826 between the original and final budgets during the year. Changes in expenditures between the original and final budgets during the year were entirely due to the awarding of the State and Federal grants after approval of the original budget.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2021, amounted to \$159,351,058 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, site improvements, furniture and equipment, buses and vehicles. This reflects a decrease of \$4,168,415 from the previous year.

Depreciation expense was recognized in the amount of \$5,397,434.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

	Capital Assets (Net of Depreciation)	
	2021	2020
Capital assets not being depreciated -		
Land	\$ 3,839,025	\$ 3,839,025
Capital assets being depreciated:		
Buildings and improvements	150,721,946	154,611,050
Site improvements	1,486,981	1,567,654
Furniture and equipment	2,128,450	2,022,546
Buses	1,125,058	1,412,381
Vehicles	49,598	66,817
Total capital assets, net	\$ 159,351,058	\$ 163,519,473

Additional information on the District's capital assets can be found in note 6 to the financial statements.

Long-term Debt. At the end of the current fiscal year, the District had total installment debt outstanding of \$153,105,000 in addition to borrowings from the School Bond Loan Fund of \$25,386,894.

As of June 2021, Standard & Poor's Ratings Services rating was AA. This rating reflects the stable financial position of the District and represents the capacity of the District to meet its financial obligations. The District is committed to the strong financial management practices and shared fiscal responsibilities by its elected officials and district administration.

The District's total bonded long-term debt increased by \$20,000,000 (approximately 13.06%) during the current fiscal year due to the issuance of 2020 refunding bonds that paid off existing 2011 and 2012 refunding bonds and a portion of the school bond loan fund debt.

Additional information on the District's long-term debt can be found in note 9 to the financial statements.

Factors Bearing on the District's Future

The following factors were also considered in preparing the District's budget for the 2021-22 fiscal year:

- The District's revenue is heavily dependent on state funding and the financial growth of the State's School Aid Fund to support school district operations. The impact of the state not passing the State Budget, which includes the State School Aid Act for 2021-2022 prior to the start of the school district's fiscal year has made it challenging for the district to budget for state funded revenue sources.
- The Board of Education and Administration agreed to an estimate of a foundation allowance of \$8,275 per pupil for the 2021-2022 fiscal year, which is an increase of \$164 over the prior year pupil foundation allowance. Information received from various educational organizations such as Michigan School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as local state representatives was taken into consideration. The final foundation allowance from the State was unknown during the 2021-2022 budget development process.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

- The 2021-2022 budget was adopted in June 2021 based on an early preliminary estimate of students who will enroll in September 2021, the fall pupil count day is October 6th. State foundation revenue is determined by multiplying the blended student count by the foundation allowance amount per pupil. The pupil count funding formula for the 2021-2022 fiscal year was based on 10 percent of the February 2021 and 90 percent of the October 2021 student count. The 2021-2022 budget was based on the assumption of 5,500 pupils.
- The continuing cost of health insurance to current and potential retirees continues to drive the rate increase the Michigan School Employees Retirement System recommends to the legislature for approval. In 2021-2022, the normal pension rate is anticipated to increase to 28.23%. However, the District will be required to pay an additional 15.05%, for all wages earned October 1, 2021 and later, for the Unfunded Actuarial Accrued Liability (UAAL). The overall retirement rate was budgeted at 43.28% to reflect the retirement expense the District has to pay out on behalf of all of the staff and the different retirement plans that they choose. At the time of the original budget adoption, the normal rate increased from 28.21% to 28.23% and the stabilization rate increased from 14.51% to 15.05%, creating additional revenues and expenses to be reported.
- In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. In response, the Federal government passed the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, which provided states with various resources to mitigate the economic impact of COVID-19. The Michigan legislature has provided some of those resources to K-12 school districts through several different programs, each with its own set of requirements. In 2020-2021 the district received and expended \$2,802,053 in COVID-19 grant funds. For 2021-2022 it is anticipated that the District will receive additional COVID grant funds in the amount of \$9,182,265.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, 5201 County Line Road, Suite 100, Casco, Michigan 48064.

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BASIC FINANCIAL STATEMENTS

ANCHOR BAY SCHOOL DISTRICT

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,239,407
Investments	10,371,515
Receivables	10,369,670
Prepaid items and other assets	270,171
Capital assets not being depreciated	3,839,025
Capital assets being depreciated, net	155,512,033
Total assets	181,601,821
Deferred outflows of resources	
Deferred charge on refunding	1,582,622
Deferred pension amounts	30,494,583
Deferred other postemployment benefit amounts	10,332,037
Total deferred outflows of resources	42,409,242
Liabilities	
Accounts payable and accrued liabilities	9,388,317
State aid note payable	4,510,282
Unearned revenue	1,588,995
Long-term debt:	
Due within one year	9,243,911
Due in more than one year	170,942,735
Net pension liability (due in more than one year)	131,183,239
Net other postemployment benefit liability (due in more than one year)	20,387,278
Total liabilities	347,244,757
Deferred inflows of resources	
Deferred pension amounts	543,560
Deferred other postemployment benefit amounts	15,233,912
Total deferred inflows of resources	15,777,472
Net position	
Net investment in capital assets	9,530,735
Restricted for food service	379,867
Unrestricted (deficit)	(148,921,768)
Total net position	\$ (139,011,166)

The accompanying notes are an integral part of these financial statements.

ANCHOR BAY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2021

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 43,526,104	\$ 381,796	\$ 15,857,921	\$ (27,286,387)
Supporting services	25,549,944	830,648	-	(24,719,296)
Community service	561,929	257,327	-	(304,602)
Food service	2,360,843	127,616	2,349,226	115,999
Student operations	662,035	-	-	(662,035)
Interest on long-term debt	5,078,050	-	-	(5,078,050)
Unallocated depreciation	5,397,434	-	-	(5,397,434)
Total governmental activities	<u>\$ 83,136,339</u>	<u>\$ 1,597,387</u>	<u>\$ 18,207,147</u>	<u>(63,331,805)</u>
General revenues				
Property taxes				18,497,585
Unrestricted state aid				41,107,695
Unrestricted investment earnings				47,634
Gain on sale of capital assets				18,653
Other				2,742,028
Total general revenues				<u>62,413,595</u>
Change in net position				(918,210)
Net position, beginning of year				<u>(138,092,956)</u>
Net position, end of year				<u>\$ (139,011,166)</u>

The accompanying notes are an integral part of these financial statements.

ANCHOR BAY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2021

	General Fund	2019 Capital Projects Funds	2016 School Bond Loan Fund	Nonmajor Governmental Funds	Totals
Assets					
Cash and cash equivalents	\$ 822,900	\$ -	\$ -	\$ 416,507	\$ 1,239,407
Investments	5,942,796	3,422,232	-	1,006,487	10,371,515
Accounts receivable	37,135	-	-	2,501	39,636
Due from other funds	-	-	-	1,500	1,500
Due from other governments	10,172,142	-	-	157,892	10,330,034
Inventory	-	-	-	31,818	31,818
Prepaid items	146,137	-	-	92,216	238,353
Total assets	<u>\$ 17,121,110</u>	<u>\$ 3,422,232</u>	<u>\$ -</u>	<u>\$ 1,708,921</u>	<u>\$ 22,252,263</u>
Liabilities					
Accounts payable	\$ 320,742	\$ 541,786	\$ -	\$ 13,316	\$ 875,844
Accrued liabilities	2,251,989	-	-	11,616	2,263,605
Salaries and benefits payable	4,694,283	-	-	30,321	4,724,604
Due to other funds	1,500	-	-	-	1,500
Due to other governments	897,001	-	-	-	897,001
State aid note payable	4,510,282	-	-	-	4,510,282
Unearned revenue	1,477,750	-	-	111,245	1,588,995
Total liabilities	<u>14,153,547</u>	<u>541,786</u>	<u>-</u>	<u>166,498</u>	<u>14,861,831</u>
Fund balances					
Nonspendable:					
Inventory	-	-	-	31,818	31,818
Prepaid items	146,137	-	-	92,216	238,353
Restricted for:					
Food service	-	-	-	350,627	350,627
Capital projects	-	2,880,446	-	80	2,880,526
Debt service	-	-	-	320,927	320,927
Committed for -					
Student activities	-	-	-	554,016	554,016
Assigned for:					
Student operations	-	-	-	131,422	131,422
International programs	-	-	-	61,317	61,317
Unassigned	2,821,426	-	-	-	2,821,426
Total fund balances	<u>2,967,563</u>	<u>2,880,446</u>	<u>-</u>	<u>1,542,423</u>	<u>7,390,432</u>
Total liabilities and fund balances	<u>\$ 17,121,110</u>	<u>\$ 3,422,232</u>	<u>\$ -</u>	<u>\$ 1,708,921</u>	<u>\$ 22,252,263</u>

The accompanying notes are an integral part of these financial statements.

ANCHOR BAY SCHOOL DISTRICT

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2021

Fund balances - total governmental funds	\$ 7,390,432
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets	244,974,358
Accumulated depreciation	(85,623,300)

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Bonds and school bond loan fund payable	(178,491,894)
Unamortized deferred charge on refunding	1,582,622
Unamortized bond premium	(1,262,193)
Unamortized bond discount	83,722
Accrued interest on bonds payable	(627,263)
Compensated absences	(516,281)

Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net other postemployment benefit liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(131,183,239)
Deferred outflows related to the net pension liability	30,494,583
Deferred inflows related to the net pension liability	(543,560)
Net other postemployment benefit liability	(20,387,278)
Deferred outflows related to the net other postemployment benefit liability	10,332,037
Deferred inflows related to the net other postemployment benefit liability	(15,233,912)

Net position of governmental activities	<u>\$ (139,011,166)</u>
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The accompanying notes are an integral part of these financial statements.

ANCHOR BAY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2021

	General	2019 Capital Projects Funds	2016 School Bond Loan Fund	Nonmajor Governmental Funds	Totals
Revenues					
Local sources	\$ 5,465,889	\$ -	\$ 2,543,946	\$ 12,180,945	\$ 20,190,780
State sources	50,976,421	-	-	120,731	51,097,152
Federal sources	5,989,195	-	-	2,228,495	8,217,690
Other sources	2,690,209	3,645	-	-	2,693,854
Total revenues	65,121,714	3,645	2,543,946	14,530,171	82,199,476
Expenditures					
Current:					
Instruction	39,787,953	-	-	-	39,787,953
Student services	2,833,846	-	-	-	2,833,846
Instructional support	2,842,459	-	-	-	2,842,459
General administration	1,449,685	-	-	-	1,449,685
School administration	4,825,620	-	-	-	4,825,620
Business administration	715,234	-	-	-	715,234
Operation and maintenance	6,148,954	-	-	-	6,148,954
Transportation	3,529,250	-	-	-	3,529,250
Support services - other	1,415,348	-	-	-	1,415,348
Community service	508,656	-	-	-	508,656
Food service	-	-	-	2,223,680	2,223,680
Student operations	-	-	-	10,734	10,734
Student activities	-	-	-	651,173	651,173
Debt service:					
Principal	-	-	25,445,000	9,345,000	34,790,000
Interest and fiscal charges	-	-	563,005	3,839,467	4,402,472
Bond issuance costs	-	-	-	825,278	825,278
Capital outlay	-	1,182,463	-	13,042	1,195,505
Other	6,600	-	-	13,878	20,478
Total expenditures	64,063,605	1,182,463	26,008,005	16,922,252	108,176,325
Revenues over (under) expenditures	1,058,109	(1,178,818)	(23,464,059)	(2,392,081)	(25,976,849)
Other financing sources (uses)					
Issuance of long-term debt	-	-	23,464,059	98,418,648	121,882,707
Premium on issuance of long-term debt	-	-	-	115,357	115,357
Payment to escrow agent	-	-	-	(95,930,079)	(95,930,079)
Proceeds from sale of capital assets	18,653	-	-	-	18,653
Transfers in	75,000	-	-	962	75,962
Transfers out	(962)	-	-	(75,000)	(75,962)
Total other financing sources (uses)	92,691	-	23,464,059	2,529,888	26,086,638
Net change in fund balances	1,150,800	(1,178,818)	-	137,807	109,789
Fund balances, beginning of year	1,816,763	4,059,264	-	1,404,616	7,280,643
Fund balances, end of year	\$ 2,967,563	\$ 2,880,446	\$ -	\$ 1,542,423	\$ 7,390,432

The accompanying notes are an integral part of these financial statements.

ANCHOR BAY SCHOOL DISTRICT

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$	109,789
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	1,229,019
Depreciation expense	(5,397,434)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of long-term debt	(121,882,707)
Premium on issuance of long-term debt	(115,357)
Payment to escrow agent	95,930,079
Amortization of premium	503,377
Amortization of discount	(44,855)
Amortization of deferred charge on refunding	(280,744)
Principal payments on long-term debt	34,790,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in net pension liability and related deferred amounts	(8,798,568)
Change in net other postemployment benefit liability and related deferred amounts	3,063,915
Change in accrued interest payable on bonds and loans	(28,078)
Change in the accrual for compensated absences	3,354

Change in net position of governmental activities	\$	(918,210)
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The accompanying notes are an integral part of these financial statements.

ANCHOR BAY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Local sources	\$ 6,051,600	\$ 5,378,634	\$ 5,465,889	\$ 87,255
State sources	49,623,918	51,074,769	50,976,421	(98,348)
Federal sources	3,483,467	6,123,256	5,989,195	(134,061)
Other sources	2,586,086	2,689,143	2,690,209	1,066
Total revenues	61,745,071	65,265,802	65,121,714	(144,088)
Expenditures				
Current:				
Instruction	37,655,755	39,081,056	39,787,953	706,897
Student services	2,786,560	2,859,856	2,833,846	(26,010)
Instructional support	3,073,690	3,867,737	2,842,459	(1,025,278)
General administration	1,107,438	1,517,018	1,449,685	(67,333)
School administration	4,648,156	4,885,171	4,825,620	(59,551)
Business administration	788,949	732,692	715,234	(17,458)
Operation and maintenance	5,823,574	6,284,360	6,148,954	(135,406)
Transportation	3,733,919	3,578,217	3,529,250	(48,967)
Support services - other	1,428,190	1,407,912	1,415,348	7,436
Community service	674,475	499,430	508,656	9,226
Other	1,767	6,850	6,600	(250)
Total expenditures	61,722,473	64,720,299	64,063,605	(656,694)
Revenues over expenditures	22,598	545,503	1,058,109	512,606
Other financing sources (uses)				
Proceeds from sale of capital assets	-	18,653	18,653	-
Transfers in	50,000	75,000	75,000	-
Transfers out	-	(1,000)	(962)	(38)
Total other financing sources	50,000	92,653	92,691	(38)
Net change in fund balance	72,598	638,156	1,150,800	512,644
Fund balance, beginning of year	1,816,763	1,816,763	1,816,763	-
Fund balance, end of year	\$ 1,889,361	\$ 2,454,919	\$ 2,967,563	\$ 512,644

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Anchor Bay School District (the "District") is governed by an elected seven-member Board of Education. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. The District has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the current year.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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, are recorded only when payment is due.

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

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *2019 capital projects fund* is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

The *2016 school bond loan debt service fund* is used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest related to the 2016 refunding bonds.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *debt service funds* are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

The *capital projects funds* are used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds operate until the purpose for which it was created is accomplished.

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

The effect of interfund activity has been eliminated from the government-wide financial statements.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, except for the District's investments in the Michigan Liquid Assets Fund (MILAF), which are recorded at amortized cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

The District follows the practice of recording revenues that have been earned but not yet received as receivables. Receivables consist primarily of State Aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

Inventory and Prepaid Items

Inventories are stated at cost using the first-in, first-out method, and consist primarily of food, cafeteria supplies and teaching supplies. USDA donated commodities in the food service fund are recorded at fair value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	25-50
Site improvements	20-50
Furniture and equipment	5-10
Vehicles and buses	5-10

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the charge on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Unearned Revenue

The District reports unearned revenue on its governmental funds balance sheet. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and the balance sheet and revenue is recognized.

Compensated Absences

Sick days are earned by most employees at the rate of one day per month. The quantity of sick days an employee may accumulate is determined by their job category, ranging from eighteen to seventy-five days. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category. There is no contractual provision for payment of unused vacation, other than the payment of prorated used vacation days earned during the year of the termination.

The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation, sick leave, and severance benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts are included both for employees who are currently eligible to receive termination payments and for other employees who are expected to become eligible in the future to receive such payments upon termination.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources related to pension and other postemployment benefit costs.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance*, if any, is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or his/her designee. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net position.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis. All annual appropriations lapse at fiscal year end.

3. COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

During the year ended June 30, 2021, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Final Budget	Actual	Variance
General fund			
Instruction	\$ 39,081,056	\$ 39,787,953	\$ 706,897
Support services - other	1,407,912	1,415,348	7,436
Community service	499,430	508,656	9,226

2017 & 2019 Capital Projects Funds

The 2017 and 2019 capital projects funds account for activities funded by school building and site bonds. For these funds, the District has complied with the applicable provisions of Section 1351a of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Statement of Net Position

Cash and cash equivalents	\$ 1,239,407
Investments	<u>10,371,515</u>
Total	<u>\$ 11,610,922</u>

Deposits and investments

Cash on hand	\$ 2,000
Bank deposits (checking/savings accounts and CD's)	1,237,407
Investments	<u>10,371,515</u>
Total	<u>\$ 11,610,922</u>

Statutory Authority

State statutes authorize the District to invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Investments

The District chooses to disclose its investments by specific identification. As of year end, the District had the following investments:

Investment	Maturity	Amortized Cost / Fair Value	Rating
Michigan Liquid Asset Fund - MICMS	n/a	\$ 16,235	S&P AAAM
Michigan Liquid Asset Fund - MIMAX	n/a	<u>10,355,280</u>	S&P AAAM
		<u>\$ 10,371,515</u>	

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$1,286,150 of the District's bank balance of \$1,536,150 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The investments listed above are not subject to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All of the District's investments are identified above.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

5. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Nonmajor Governmental Funds	Totals
Accounts receivable	\$ 37,135	\$ 2,501	\$ 39,636
Due from other governments	10,172,142	157,892	10,330,034
	<u>\$ 10,209,277</u>	<u>\$ 160,393</u>	<u>\$ 10,369,670</u>

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 3,839,025	\$ -	\$ -	\$ -	\$ 3,839,025
Capital assets being depreciated:					
Buildings and improvements	223,651,562	768,037	-	-	224,419,599
Site improvements	1,849,511	-	-	-	1,849,511
Furniture and equipment	9,073,357	460,982	-	-	9,534,339
Buses	5,513,634	-	(542,261)	-	4,971,373
Vehicles	364,950	-	(4,439)	-	360,511
	<u>240,453,014</u>	<u>1,229,019</u>	<u>(546,700)</u>	<u>-</u>	<u>241,135,333</u>
Less accumulated depreciation for:					
Buildings and improvements	(69,040,512)	(4,657,141)	-	-	(73,697,653)
Site improvements	(281,857)	(80,673)	-	-	(362,530)
Furniture and equipment	(7,050,811)	(355,078)	-	-	(7,405,889)
Buses	(4,101,253)	(287,323)	542,261	-	(3,846,315)
Vehicles	(298,133)	(17,219)	4,439	-	(310,913)
	<u>(80,772,566)</u>	<u>(5,397,434)</u>	<u>546,700</u>	<u>-</u>	<u>(85,623,300)</u>
Total capital assets					
being depreciated, net	<u>159,680,448</u>	<u>(4,168,415)</u>	<u>-</u>	<u>-</u>	<u>155,512,033</u>
Governmental activities					
capital assets, net	<u>\$ 163,519,473</u>	<u>\$ (4,168,415)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,351,058</u>

Depreciation expense of \$5,397,434 is reported as "unallocated depreciation," and not allocated to individual functions.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	2019 Capital Projects Fund	Nonmajor Governmental Funds	Totals
Fund Financial Statements:				
Accounts payable	\$ 320,742	\$ 541,786	\$ 13,316	\$ 875,844
Accrued liabilities	2,251,989	-	11,616	2,263,605
Salaries and benefits payable	4,694,283	-	30,321	4,724,604
Due to other governments	897,001	-	-	897,001
	<u>\$ 8,164,015</u>	<u>\$ 541,786</u>	<u>\$ 55,253</u>	<u>8,761,054</u>
Government-wide Financial Statements -				
Accrued interest on long-term debt				<u>627,263</u>
				<u>\$ 9,388,317</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

For the year ended June 30, 2021, interfund receivables and payables consisted of the following:

	Due From	Due To
General fund	\$ -	\$ 1,500
Nonmajor governmental funds	<u>1,500</u>	<u>-</u>
	<u>\$ 1,500</u>	<u>\$ 1,500</u>

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

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

For the year ended June 30, 2021, interfund transfers consisted of the following:

	Transfers out	Transfers in
General fund	\$ 962	\$ 75,000
Nonmajor governmental funds	<u>75,000</u>	<u>962</u>
	<u>\$ 75,962</u>	<u>\$ 75,962</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2021, the District transferred funds from the food service fund to the general fund for indirect costs and transferred funds from the general fund to student operations for various curriculum supplies.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

9. LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Refunding	Ending Balance	Due Within One Year
General obligation bonds	\$ 133,105,000	\$ 96,640,000	\$ (34,790,000)	\$ (41,850,000)	\$ 153,105,000	\$ 9,005,000
Direct borrowings/placements -						
School bond loan and						
revolving funds	52,344,608	25,449,331	-	(52,407,045)	25,386,894	-
Unamortized bond premium	3,903,565	115,357	(503,377)	(2,253,352)	1,262,193	242,131
Unamortized bond discount	(128,577)	-	44,855	-	(83,722)	(3,220)
Compensated absences	519,635	-	(3,354)	-	516,281	-
Total long-term debt	\$ 189,744,231	\$ 122,204,688	\$ (35,251,876)	\$ (96,510,397)	\$ 180,186,646	\$ 9,243,911

Compensated absences are typically liquidated by the general fund.

Bonds payable consist of the following issues:

General obligation bonds

2013 Bond Refunding Serial Bonds, due in annual installments of \$1,450,000 to \$2,565,000 due May 1, 2033, interest at 0.200% to 5.00%.

\$ 26,565,000

2016 Bond Refunding Serial Bonds A, due in annual installments of \$1,100,000 to \$2,515,000 due May 1, 2025, interest at 5.00%.

7,365,000

2017 School Building and Site Bonds, due in annual installments of \$510,000 to \$2,635,000 with payments commencing May 1, 2022 and final payments due May 1, 2047, interest at 3.00% to 3.38%.

10,930,000

2019 School Building and Site Bonds, due in annual installments of \$370,000 to \$1,690,000 with payments commencing May 1, 2023 and final payments due May 1, 2048, interest at 3.00% to 5.00%.

11,605,000

2020 Bond Refunding Serial Bonds, due in annual installments of \$3,380,000 to \$15,930,000 due May 1, 2034, interest at 1.00% to 2.31%.

96,640,000

Total general obligation bonds

\$ 153,105,000

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 9,005,000	\$ 3,728,180	\$ 12,733,180
2023	9,250,000	3,503,642	12,753,642
2024	9,595,000	3,152,417	12,747,417
2025	9,855,000	2,933,642	12,788,642
2026	10,090,000	2,725,439	12,815,439
2027-2031	54,305,000	10,567,252	64,872,252
2032-2036	37,070,000	4,196,998	41,266,998
2037-2041	5,195,000	2,027,756	7,222,756
2042-2046	6,100,000	1,077,703	7,177,703
2047-2048	2,640,000	97,275	2,737,275
Totals	\$ 153,105,000	\$ 34,010,304	\$ 187,115,304

School Bond Loan and Revolving Funds

The School Bond Loan Fund represents amounts borrowed from the State of Michigan School Bond Loan Program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the School Bond Loan Fund for the year ended June 30, 2021, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 50,556,503	\$ 1,788,105	\$ 52,344,608
Additions	25,242,707	206,624	25,449,331
Refunded	(50,555,503)	(1,851,542)	(52,407,045)
Ending balance	\$ 25,243,707	\$ 143,187	\$ 25,386,894

Advance refunding

During 2021, the District used \$96,640,000 of 2020 Refunding Bonds to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments of the District's 2011 Refunding Bonds of \$22,125,000, 2012 Refunding Bonds of \$19,725,000, certain indebtedness of the school bond loan fund of \$52,407,045 and issuing costs of the bonds. As a result of the refunding, the bonds are considered defeased and the liability has been removed from the statement of position. The refunding resulted in a savings of \$2,546,758 and an economic gain of \$3,534,682 over the next ten years. The balance of the defeased bonds outstanding as of June 30, 2021 was \$96,510,395, which represents the amounts placed in escrow as part of the 2020 debt refunding.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

10. STATE AID NOTE PAYABLE

During the year, the District financed certain of its operations through the issuance of State Aid Anticipation Notes. These notes were issued for terms of less than one year, and accordingly are recorded as liabilities of the respective funds from which they were issued. The District borrowed \$2,500,000 with an interest rate of 0.70% and \$4,000,000 with an interest rate of 0.25%. These notes are due on August 20, 2021.

Changes in short-term state aid notes for the year ended June 30, 2021, were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	\$ 709,100	\$ 6,500,000	\$ (2,698,818)	\$ 4,510,282

11. OPERATING LEASES

The District has three operating lease agreements for seven buses that provide for annual minimum lease payments as follows:

Year Ended June 30,	Total
2022	\$ 323,749
2023	267,898
	<u>\$ 591,647</u>

Rental expense for all operating leases aggregated \$321,893 for the year ended June 30, 2021.

12. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2021, was as follows:

Capital assets, net	\$ 159,351,058
Capital related bonds payable outstanding	(153,105,000)
Unamortized bond premium	(1,262,193)
Unamortized bond discount	83,722
Unspent bonded capital projects proceeds	2,880,526
Deferred charge on refunding	<u>1,582,622</u>
Net investment in capital assets	<u>\$ 9,530,735</u>

13. RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the district from significant adverse financial impact.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

14. PROPERTY TAXES

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1, and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14, and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

The District received reduced property tax revenues during 2021 as a result of industrial facilities tax exemptions (IFT's) agreements entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements were not material to the District for the fiscal year.

15. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "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 at the ORS website at www.michigan.gov/orsschools.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Pension 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% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member 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.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment 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.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

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

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

Contributions

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

Employer 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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2021:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	19.41% - 19.78%
Member Investment Plan (MIP)	3.00% - 7.00%	19.41% - 19.78%
Pension Plus	3.00% - 6.40%	16.46% - 16.82%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

For the year ended June 30, 2021, required and actual contributions from the District to the pension plan were \$11,146,481, which included \$4,931,284, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2021:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.09% - 8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

For the year ended June 30, 2021, required and actual contributions from the District to the OPEB plan were \$2,777,561.

The table below summarizes defined contribution rates in effect for fiscal year 2021:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2021, required and actual contributions from the District for those members with a defined contribution benefit were \$141,258.

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

At June 30, 2021, the District reported a liability of \$131,183,239 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the District's proportion was 0.38189%, which was an increase of 0.00736% from its proportion measured as of September 30, 2019.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

For the year ended June 30, 2021, the District recognized pension expense of \$19,953,370. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 2,004,372	\$ 279,991	\$ 1,724,381
Changes in assumptions	14,536,368	-	14,536,368
Net difference between projected and actual earnings on pension plan investments	551,173	-	551,173
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,846,356	263,569	2,582,787
	<u>19,938,269</u>	<u>543,560</u>	<u>19,394,709</u>
District contributions subsequent to the measurement date	10,556,314	-	10,556,314
Total	<u><u>\$ 30,494,583</u></u>	<u><u>\$ 543,560</u></u>	<u><u>\$ 29,951,023</u></u>

The \$10,556,314 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2022	\$ 8,444,097
2023	6,317,756
2024	3,527,815
2025	<u>1,105,041</u>
Total	<u><u>\$ 19,394,709</u></u>

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

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

At June 30, 2021, the District reported a liability of \$20,387,278 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the District's proportion was 0.38055% which was an increase of 0.00264% from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of (\$330,624). At June 30, 2021, the 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	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 15,190,428	\$ (15,190,428)
Changes in assumptions	6,722,090	-	6,722,090
Net difference between projected and actual earnings on OPEB plan investments	170,155	-	170,155
Changes in proportion and differences between employer contributions and proportionate share of contributions	951,794	43,484	908,310
	<u>7,844,039</u>	<u>15,233,912</u>	<u>(7,389,873)</u>
District contributions subsequent to the measurement date	<u>2,487,998</u>	<u>-</u>	<u>2,487,998</u>
Total	<u>\$ 10,332,037</u>	<u>\$ 15,233,912</u>	<u>\$ (4,901,875)</u>

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

The \$2,487,998 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:

Year Ended June 30,	Amount
2022	\$ (2,020,361)
2023	(1,777,225)
2024	(1,416,670)
2025	(1,153,854)
2026	<u>(1,021,763)</u>
Total	<u><u>\$ (7,389,873)</u></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. The total pension and OPEB liabilities in the September 30, 2019 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Other OPEB 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 and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2020, are 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. The recognition period for pension liabilities is 4.4892 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on Pension 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	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.29%	1.32%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	15.00%	6.98%	1.05%
Fixed income pools	10.50%	0.47%	0.05%
Real estate and infrastructure pools	10.00%	4.62%	0.46%
Absolute return pools	9.00%	3.02%	0.27%
Real return/opportunistic pools	12.50%	6.23%	0.78%
Short-term investment pools	2.00%	-0.09%	0.00%
	<u>100.00%</u>		5.33%
Inflation			2.10%
Risk adjustment			<u>-0.63%</u>
Investment rate of return			<u><u>6.80%</u></u>

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on OPEB 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	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.29%	1.32%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	15.00%	6.98%	1.05%
Fixed income pools	10.50%	0.47%	0.05%
Real estate and infrastructure pools	10.00%	4.62%	0.46%
Absolute return pools	9.00%	3.02%	0.27%
Real return/opportunistic pools	12.50%	6.23%	0.78%
Short-term investment pools	2.00%	-0.09%	0.00%
	<u>100.00%</u>		5.33%
Inflation			2.10%
Risk adjustment			<u>-0.48%</u>
Investment rate of return			<u><u>6.95%</u></u>

Rate of Return

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

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and 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 pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates 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 and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
District's proportionate share of the net pension liability	\$ 169,794,449	\$ 131,183,239	\$ 99,183,151

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

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

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	\$ 26,189,775	\$ 20,387,278	\$ 15,502,061

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

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

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

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 15,315,015	\$ 20,387,278	\$ 26,156,351

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2021, the District reported a payable of \$1,768,179 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2021.

Payable to the OPEB Plan

At June 30, 2021, the District reported a payable of \$371,286 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2021.

16. SUBSEQUENT EVENTS

State Aid Notes

On August 20, 2021, the District issued state aid note Series 2021A-1 in the amount of \$2,500,000 with an interest rate of 0.11%, which the District will pay in set asides beginning in January of 2022 through July of 2022, maturing on July 20, 2022. Additionally, on August 20, 2021, the District issued state aid note Series 2021A-2 in the amount of \$1,000,000 with an interest rate of 0.12%, which matures on August 22, 2022.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

17. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. The District received over \$2.6 million during 2021 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the CARES Act and other funding sources. This funding was used to purchase personal protection equipment (PPE), cleaning and sanitizing materials, and supplies, as well as for activities to support remote learning for students. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.

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REQUIRED SUPPLEMENTARY INFORMATION

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,	
	2021	2020
District's proportionate share of the net pension liability	\$ 131,183,239	\$ 124,030,886
District's proportion of the net pension liability	0.38189%	0.37453%
District's covered payroll	\$ 33,632,795	\$ 32,976,188
District's proportionate share of the net pension liability as a percentage of its covered payroll	390.05%	376.12%
Plan fiduciary net position as a percentage of the total pension liability	59.72%	60.31%

See notes to required supplementary information.



Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 109,999,840	\$ 94,649,187	\$ 92,473,137	\$ 89,141,993	\$ 29,774,310
0.36591%	0.36524%	0.37065%	0.36496%	0.34914%
\$ 31,191,135	\$ 30,190,630	\$ 31,388,251	\$ 30,328,646	\$ 29,194,362
352.66%	313.51%	294.61%	293.92%	263.44%
62.36%	64.21%	63.27%	63.17%	66.20%

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPERS Cost-Sharing Multiple-Employer Plan
Schedule of the District's Pension Contributions

	Year Ended June 30,	
	2021	2020
Statutorily required contribution	\$ 11,146,481	\$ 10,498,631
Contributions in relation to the statutorily required contribution	<u>(11,146,481)</u>	<u>(10,498,631)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 32,869,189	\$ 34,007,875
Contributions as a percentage of covered payroll	33.91%	30.87%

See notes to required supplementary information.



Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 9,961,613	\$ 10,667,512	\$ 8,268,908	\$ 7,040,585	\$ 5,422,819
<u>(9,961,613)</u>	<u>(10,667,512)</u>	<u>(8,268,908)</u>	<u>(7,040,585)</u>	<u>(5,422,819)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 33,122,787	\$ 31,420,218	\$ 30,067,167	\$ 30,296,972	\$ 29,888,253
30.07%	33.95%	27.50%	23.24%	18.14%

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended June 30,			
	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 20,387,278	\$ 27,125,338	\$ 29,157,660	\$ 32,295,942
District's proportion of the net OPEB liability	0.38055%	0.37791%	0.36681%	0.36470%
District's covered payroll	\$ 33,632,795	\$ 32,976,188	\$ 31,191,135	\$ 30,190,630
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.62%	82.26%	93.48%	106.97%
Plan fiduciary net position as a percentage of the total OPEB liability	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,			
	2021	2020	2019	2018
Statutorily required contribution	\$ 2,777,561	\$ 2,750,410	\$ 2,603,936	\$ 2,318,954
Contributions in relation to the statutorily required contribution	(2,777,561)	(2,750,410)	(2,603,936)	(2,318,954)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 32,869,189	\$ 34,007,875	\$ 33,122,787	\$ 31,420,218
Contributions as a percentage of covered payroll	8.45%	8.09%	7.86%	7.38%

See notes to required supplementary information.

ANCHOR BAY SCHOOL DISTRICT

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of date will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of date will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

**COMBINING FUND
FINANCIAL STATEMENTS**

ANCHOR BAY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2021

	Special Revenue	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 414,294	\$ 2,213	\$ -	\$ 416,507
Investments	676,903	316,462	13,122	1,006,487
Accounts receivable	276	2,225	-	2,501
Due from other funds	1,500	-	-	1,500
Due from other governments	157,865	27	-	157,892
Inventory	31,818	-	-	31,818
Prepaid items	8,648	-	83,568	92,216
Total assets	\$ 1,291,304	\$ 320,927	\$ 96,690	\$ 1,708,921
Liabilities				
Accounts payable	\$ 274	\$ -	\$ 13,042	\$ 13,316
Accrued liabilities	11,616	-	-	11,616
Salaries and benefits payable	30,321	-	-	30,321
Unearned revenue	111,245	-	-	111,245
Total liabilities	153,456	-	13,042	166,498
Fund balances				
Nonspendable	40,466	-	83,568	124,034
Restricted	350,627	320,927	80	671,634
Committed	554,016	-	-	554,016
Assigned	192,739	-	-	192,739
Total fund balances	1,137,848	320,927	83,648	1,542,423
Total liabilities and fund balances	\$ 1,291,304	\$ 320,927	\$ 96,690	\$ 1,708,921

ANCHOR BAY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2021

	Special Revenue	Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Local sources:				
Property taxes	\$ -	\$ 11,310,702	\$ -	\$ 11,310,702
Revenue in lieu of taxes	-	25,426	-	25,426
Earnings on investments	107	14,450	101	14,658
Food sales	127,616	-	-	127,616
Other local sources	689,435	13,108	-	702,543
State sources	120,731	-	-	120,731
Federal sources	2,228,495	-	-	2,228,495
Total revenues	3,166,384	11,363,686	101	14,530,171
Expenditures				
Food service	2,223,680	-	-	2,223,680
Student operations	10,734	-	-	10,734
Student activities	651,173	-	-	651,173
Debt service:				
Principal	-	9,345,000	-	9,345,000
Interest and fiscal charges	-	3,839,467	-	3,839,467
Bond issuance costs	-	825,278	-	825,278
Capital outlay	-	-	13,042	13,042
Other	13,878	-	-	13,878
Total expenditures	2,899,465	14,009,745	13,042	16,922,252
Revenue over (under) expenditures	266,919	(2,646,059)	(12,941)	(2,392,081)
Other financing sources (uses)				
Issuance of long-term debt	-	98,418,648	-	98,418,648
Premium on issuance of long-term debt	-	115,357	-	115,357
Payment to escrow agent	-	(95,930,079)	-	(95,930,079)
Transfers in	962	-	-	962
Transfers out	(75,000)	-	-	(75,000)
Total other financing sources (uses)	(74,038)	2,603,926	-	2,529,888
Net change in fund balances	192,881	(42,133)	(12,941)	137,807
Fund balances, beginning of year	944,967	363,060	96,589	1,404,616
Fund balances, end of year	\$ 1,137,848	\$ 320,927	\$ 83,648	\$ 1,542,423

ANCHOR BAY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2021

	Food Service	Student Operations	International Programs	Student Activities	Total
Assets					
Cash and cash equivalents	\$ 45,343	\$ 130,460	\$ 104,759	\$ 133,732	\$ 414,294
Investments	256,619	-	-	420,284	676,903
Accounts receivable	276	-	-	-	276
Due from other funds	538	962	-	-	1,500
Due from other governments	157,865	-	-	-	157,865
Inventory	20,592	11,226	-	-	31,818
Prepaid items	8,648	-	-	-	8,648
Total assets	<u>\$ 489,881</u>	<u>\$ 142,648</u>	<u>\$ 104,759</u>	<u>\$ 554,016</u>	<u>\$ 1,291,304</u>
Liabilities					
Accounts payable	\$ 274	\$ -	\$ -	\$ -	\$ 274
Accrued liabilities	11,616	-	-	-	11,616
Salaries and benefits payable	30,321	-	-	-	30,321
Unearned revenue	67,803	-	43,442	-	111,245
Total liabilities	<u>110,014</u>	<u>-</u>	<u>43,442</u>	<u>-</u>	<u>153,456</u>
Fund balances					
Nonspendable:					
Inventory	20,592	11,226	-	-	31,818
Prepaid items	8,648	-	-	-	8,648
Restricted for food service	350,627	-	-	-	350,627
Committed for student activities	-	-	-	554,016	554,016
Assigned for student operations	-	131,422	-	-	131,422
Assigned for international programs	-	-	61,317	-	61,317
Total fund balances	<u>379,867</u>	<u>142,648</u>	<u>61,317</u>	<u>554,016</u>	<u>1,137,848</u>
Total liabilities and fund balances	<u>\$ 489,881</u>	<u>\$ 142,648</u>	<u>\$ 104,759</u>	<u>\$ 554,016</u>	<u>\$ 1,291,304</u>

ANCHOR BAY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2021

	Food Service	Student Operations	International Programs	Student Activities	Total
Revenues					
Local sources:					
Earnings on investments	\$ 107	\$ -	\$ -	\$ -	\$ 107
Food sales	127,616	-	-	-	127,616
Other local sources	843	10,631	-	677,961	689,435
State sources	120,731	-	-	-	120,731
Federal sources	2,228,495	-	-	-	2,228,495
Total revenues	2,477,792	10,631	-	677,961	3,166,384
Expenditures					
Salaries	757,546	-	-	-	757,546
Benefits	401,038	-	-	-	401,038
Purchased services	11,611	2,098	-	-	13,709
Supplies and materials	1,053,485	8,636	-	651,173	1,713,294
Other	13,750	128	-	-	13,878
Total expenditures	2,237,430	10,862	-	651,173	2,899,465
Revenues over (under) expenditures	240,362	(231)	-	26,788	266,919
Other financing sources (uses)					
Transfers in	-	962	-	-	962
Transfers out	(75,000)	-	-	-	(75,000)
Total other financing sources (uses)	(75,000)	962	-	-	(74,038)
Net change in fund balances	165,362	731	-	26,788	192,881
Fund balances, beginning of year	214,505	141,917	61,317	527,228	944,967
Fund balances, end of year	\$ 379,867	\$ 142,648	\$ 61,317	\$ 554,016	\$ 1,137,848

ANCHOR BAY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2021

	2011 Debt Service	2012 Debt Service	2013 Debt Service
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 2,213
Investments	-	-	316,462
Accounts receivable	-	2,225	-
Due from other governments	-	-	27
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ 2,225</u>	<u>\$ 318,702</u>
Fund balances			
Restricted for debt service	<u>\$ -</u>	<u>\$ 2,225</u>	<u>\$ 318,702</u>



2016 Debt Service	2017 Debt Service	2019 Debt Service	2020 Debt Service	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,213
-	-	-	-	316,462
-	-	-	-	2,225
-	-	-	-	27
<hr/>				
\$ -	\$ -	\$ -	\$ -	\$ 320,927
<hr/>				
\$ -	\$ -	\$ -	\$ -	320,927
<hr/>				

ANCHOR BAY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and

Changes in Fund Balances - Nonmajor Debt Service Funds

For the Year Ended June 30, 2021

	2011 Debt Service	2012 Debt Service	2013 Debt Service
Revenues			
Local sources:			
Property taxes	\$ 2,584,852	\$ 2,436,200	\$ 2,653,919
Revenue in lieu of taxes	-	-	25,426
Earnings on investments	-	-	14,450
Other local sources	-	2,225	-
Total revenues	<u>2,584,852</u>	<u>2,438,425</u>	<u>2,693,795</u>
Expenditures			
Debt service:			
Principal	4,155,000	2,320,000	1,770,000
Interest and fiscal charges	208,500	116,200	968,153
Bond issuance costs	-	-	-
Total expenditures	<u>4,363,500</u>	<u>2,436,200</u>	<u>2,738,153</u>
Revenues over (under) expenditures	<u>(1,778,648)</u>	<u>2,225</u>	<u>(44,358)</u>
Other financing sources			
Issuance of long-term debt	1,778,648	-	-
Premium on issuance of long-term debt	-	-	-
Payment to escrow agent	-	-	-
Total other financing sources (uses)	<u>1,778,648</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	2,225	(44,358)
Fund balances, beginning of year	-	-	363,060
Fund balances, end of year	<u>\$ -</u>	<u>\$ 2,225</u>	<u>\$ 318,702</u>

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2016 Debt Service	2017 Debt Service	2019 Debt Service	2020 Debt Service	Total
\$ 1,524,249	\$ 344,988	\$ 461,922	\$ 1,304,572	\$ 11,310,702
-	-	-	-	25,426
-	-	-	-	14,450
-	-	-	10,883	13,108
<u>1,524,249</u>	<u>344,988</u>	<u>461,922</u>	<u>1,315,455</u>	<u>11,363,686</u>
1,100,000	-	-	-	9,345,000
424,249	344,988	461,922	1,315,455	3,839,467
-	-	-	825,278	825,278
<u>1,524,249</u>	<u>344,988</u>	<u>461,922</u>	<u>2,140,733</u>	<u>14,009,745</u>
-	-	-	(825,278)	(2,646,059)
-	-	-	96,640,000	98,418,648
-	-	-	115,357	115,357
-	-	-	(95,930,079)	(95,930,079)
-	-	-	825,278	2,603,926
-	-	-	-	(42,133)
-	-	-	-	363,060
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,927</u>

ANCHOR BAY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Capital Project Funds

June 30, 2021

	2003 Capital Projects Fund	2017 Capital Projects Fund	Total
Assets			
Investments	\$ 1	\$ 13,121	\$ 13,122
Prepaid items	83,568	-	83,568
Total assets	<u>\$ 83,569</u>	<u>\$ 13,121</u>	<u>\$ 96,690</u>
Liabilities			
Accounts payable	\$ -	\$ 13,042	\$ 13,042
Fund balances			
Nonspendable	83,568	-	83,568
Restricted for capital projects	1	79	80
Total fund balances	<u>83,569</u>	<u>79</u>	<u>83,648</u>
Total liabilities and fund balances	<u>\$ 83,569</u>	<u>\$ 13,121</u>	<u>\$ 96,690</u>

ANCHOR BAY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and

Changes in Fund Balances - Nonmajor Capital Project Funds

For the Year Ended June 30, 2021

	2003 Capital Projects Fund	2017 Capital Projects Fund	Total
Revenues			
Local sources -			
Earnings on investments	\$ 84	\$ 17	\$ 101
Expenditures			
Capital outlay	-	13,042	13,042
Net change in fund balances	84	(13,025)	(12,941)
Fund balances, beginning of year	83,485	13,104	96,589
Fund balances, end of year	<u>\$ 83,569</u>	<u>\$ 79</u>	<u>\$ 83,648</u>

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information

Schedule of Outstanding Bonded Indebtedness

2013 Refunding Bonds

Original amount of issue: \$ 33,280,000

Interest rate: .200% to 5.00%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year Requirements
	May 1st	November 1st, May 1st	
2022	\$ 1,810,000	\$ 929,008	\$ 2,739,008
2023	1,850,000	886,020	2,736,020
2024	1,965,000	793,520	2,758,520
2025	2,015,000	734,570	2,749,570
2026	2,090,000	674,120	2,764,120
2027	2,165,000	605,150	2,770,150
2028	2,240,000	534,788	2,774,788
2029	2,335,000	456,388	2,791,388
2030	2,420,000	362,988	2,782,988
2031	2,510,000	278,288	2,788,288
2032	2,600,000	190,438	2,790,438
2033	2,565,000	96,188	2,661,188
	<u>\$ 26,565,000</u>	<u>\$ 6,541,466</u>	<u>\$ 33,106,466</u>

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information

Schedule of Outstanding Bonded Indebtedness

2016 Refunding Bonds - Series A

Original amount of issue: \$ 8,465,000

Interest rate: 5.00%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year Requirements
	May 1st	November 1st, May 1st	
2022	\$ 1,180,000	\$ 338,750	\$ 1,518,750
2023	1,230,000	293,625	1,523,625
2024	2,440,000	216,875	2,656,875
2025	2,515,000	93,875	2,608,875
	<u>\$ 7,365,000</u>	<u>\$ 943,125</u>	<u>\$ 8,308,125</u>

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information

Schedule of Outstanding Bonded Indebtedness

2017 Building and Site Bonds

Original amount of issue: \$ 10,930,000

Interest rate: 3.00% to 3.38%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year Requirements
	May 1st	November 1st, May 1st	
2022	\$ 2,635,000	\$ 344,488	\$ 2,979,488
2023	-	326,488	326,488
2024	-	265,438	265,438
2025	-	265,438	265,438
2026	-	265,438	265,438
2027	-	265,438	265,438
2028	-	265,438	265,438
2029	-	265,438	265,438
2030	-	265,438	265,438
2031	-	265,438	265,438
2032	-	265,438	265,438
2033	-	265,438	265,438
2034	525,000	262,438	787,438
2035	525,000	246,688	771,688
2036	525,000	230,938	755,938
2037	540,000	215,188	755,188
2038	555,000	198,988	753,988
2039	575,000	181,769	756,769
2040	590,000	163,800	753,800
2041	605,000	145,363	750,363
2042	625,000	125,825	750,825
2043	645,000	105,513	750,513
2044	670,000	83,869	753,869
2045	690,000	61,256	751,256
2046	715,000	37,969	752,969
2047	510,000	13,838	523,838
	<u>\$ 10,930,000</u>	<u>\$ 5,398,798</u>	<u>\$ 16,328,798</u>

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information

Schedule of Outstanding Bonded Indebtedness

2019 Building and Site Bonds

Original amount of issue: \$ 11,605,000

Interest rate: 3.00% to 5.00%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year Requirements
	May 1st	November 1st, May 1st	
2022	\$ -	\$ 461,469	\$ 461,469
2023	1,690,000	376,969	2,066,969
2024	1,520,000	300,969	1,820,969
2025	-	300,969	300,969
2026	-	300,969	300,969
2027	-	300,969	300,969
2028	-	300,969	300,969
2029	-	300,969	300,969
2030	-	300,969	300,969
2031	-	300,969	300,969
2032	-	300,969	300,969
2033	370,000	300,969	670,969
2034	-	289,869	289,869
2035	390,000	283,531	673,531
2036	420,000	270,369	690,369
2037	435,000	256,203	691,203
2038	450,000	241,269	691,269
2039	465,000	225,538	690,538
2040	480,000	208,700	688,700
2041	500,000	190,938	690,938
2042	515,000	172,541	687,541
2043	535,000	153,510	688,510
2044	545,000	133,594	678,594
2045	570,000	112,688	682,688
2046	590,000	90,938	680,938
2047	1,095,000	64,031	1,159,031
2048	1,035,000	19,406	1,054,406
	<u>\$ 11,605,000</u>	<u>\$ 6,561,253</u>	<u>\$ 18,166,253</u>

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information

Schedule of Outstanding Bonded Indebtedness

2020 Refunding Bonds

Original amount of issue: \$ 96,640,000

Interest rate: 1.00% to 2.31%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year Requirements
	May 1st	November 1st, May 1st	
2022	\$ 3,380,000	\$ 1,654,465	\$ 5,034,465
2023	4,480,000	1,620,540	6,100,540
2024	3,670,000	1,575,615	5,245,615
2025	5,325,000	1,538,790	6,863,790
2026	8,000,000	1,484,912	9,484,912
2027	8,135,000	1,385,226	9,520,226
2028	8,295,000	1,271,022	9,566,022
2029	8,475,000	1,134,425	9,609,425
2030	8,730,000	943,366	9,673,366
2031	9,000,000	763,576	9,763,576
2032	9,220,000	587,058	9,807,058
2033	9,575,000	403,466	9,978,466
2034	10,355,000	203,201	10,558,201
	<u>\$ 96,640,000</u>	<u>\$ 14,565,662</u>	<u>\$ 111,205,662</u>

SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

October 21, 2021

Board of Education
Anchor Bay School District
Casco Township, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Anchor Bay School District** (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 21, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson LLC

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ANCHOR BAY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
National School Lunch:				
Afternoon Snacks	10.555	MDE	211980	\$ 324
Entitlement Commodities	10.555	MDE	N/A	144,677
Bonus Commodities	10.555	MDE	N/A	1,581
Summer Food Service Program	10.559	MDE	200900	66,172
Summer Food Service Program	10.559	MDE	210904	2,011,033
Total U.S. Department of Agriculture - Child Nutrition Cluster				
U.S. Department of the Treasury				
COVID-19 - Coronavirus Relief Fund:				
District COVID Costs 103(2)	21.019	MDE	N/A	71,966
School Aid 11p (2020)	21.019	MDE	N/A	43,674
School Aid 11p (2021)	21.019	MDE	N/A	2,000,827
Relief Funding from MISD	21.019	MISD	N/A	218,403
MAISA/MiConnect	21.019	CCISD	N/A	79,533
Total U.S. Department of the Treasury				
U.S. Department of Education				
Title I:				
Title I, Part A - Improving Basic Programs	84.010	MDE	201530-1920	348,384
Title I, Part A - Improving Basic Programs	84.010	MDE	211530-2021	389,321
Special Education Cluster:				
IDEA Flow-through - C/O	84.027	MISD	190450-1819	934,738
IDEA Flow-through	84.027	MISD	200450-1920	1,404,526
IDEA Flow-through - C/O	84.027	MISD	200450-1920	938,348
IDEA Flow-through	84.027	MISD	210450-2021	1,424,097
Special Education - Preschool	84.173A	MISD	200460-1920	67,518
Special Education - Preschool	84.173A	MISD	210460-2021	72,370
Total Special Education Cluster				
2019-2020 Perkins	84.048	MISD	203520-201216	144,550
2020-2021 Perkins	84.048	MISD	213520-211216	149,894

(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2020	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2021
\$ -	\$ -	\$ 324	\$ 324	\$ -
-	-	144,677	144,677	-
-	-	1,581	1,581	-
-	-	66,172	66,172	-
-	-	1,870,233	2,011,033	140,800
-	-	2,082,987	2,223,787	140,800
-	-	71,966	71,966	-
-	-	43,674	43,674	-
-	-	2,000,827	2,000,827	-
-	-	218,403	218,403	-
-	-	79,533	79,533	-
-	-	2,414,403	2,414,403	-
328,992	35,599	35,599	-	-
-	-	294,157	361,903	67,746
328,992	35,599	329,756	361,903	67,746
934,738	199,979	199,979	-	-
1,404,526	297,850	297,850	-	-
-	-	774,591	938,348	163,757
-	-	1,149,232	1,424,097	274,865
2,339,264	497,829	2,421,652	2,362,445	438,622
67,518	5,960	5,960	-	-
-	-	63,969	72,370	8,401
67,518	5,960	69,929	72,370	8,401
2,406,782	503,789	2,491,581	2,434,815	447,023
144,550	23,841	23,841	-	-
-	-	113,934	149,894	35,960
144,550	23,841	137,775	149,894	35,960

continued...

ANCHOR BAY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
U.S. Department of Education (concluded)				
2020-2021 Indian Education	84.060	Direct	SO6OA160048	\$ 39,652
Title III:				
Title III, Part A - English Language	84.365A	MISD	200570-1920	11,695
Title III, Part A - English Language	84.365A	MISD	210570-2021	12,353
Title II:				
Title II, Part A - Improving Teacher Quality	84.367A	MDE	200520-1920	229,866
Title II, Part A - Improving Teacher Quality	84.367A	MDE	210520-2021	219,012
Title IV:				
Title IV, Part A - Student Support and Academic				
2019-2020 Enrichment Program	84.424A	MDE	200750-1920	28,280
2020-2021 Enrichment Program	84.424A	MDE	210750-2021	24,144
COVID-19 - Elementary and Secondary School				
Emergency Relief (ESSER)				
Formula Funds	84.425D	MDE	203710	272,713
Total U.S. Department of Education				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2020	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2021
\$ -	\$ -	\$ 36,598	\$ 39,652	\$ 3,054
4,618	2,348	2,348	-	-
-	-	9,759	9,945	186
4,618	2,348	12,107	9,945	186
125,780	5,866	5,866	-	-
-	-	90,756	120,285	29,529
125,780	5,866	96,622	120,285	29,529
28,280	6,759	6,759	-	-
-	-	23,345	23,345	-
28,280	6,759	30,104	23,345	-
-	-	272,713	272,713	-
3,039,002	578,202	3,407,256	3,412,552	583,498
\$ 3,039,002	\$ 578,202	\$ 7,904,646	\$ 8,050,742	\$ 724,298

concluded.

ANCHOR BAY SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. RECONCILIATION TO BASIC FINANCIAL STATEMENTS

A reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit act compliance schedule of expenditures of federal awards is as follows:

Federal revenues as reported in the financial statements	\$ 8,217,690
Federal assistance to beneficiaries	<u>(166,948)</u>
Expenditures per schedule of expenditures of federal awards	<u>\$ 8,050,742</u>

ANCHOR BAY SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

The District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
CCISD	Copper Country Intermediate School District
MDE	Michigan Department of Education
MISD	Macomb Intermediate School District

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 21, 2021

Board of Education
Anchor Bay School District
Casco Township, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Anchor Bay School District** (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2021.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 21, 2021

Board of Education
Anchor Bay School District
Casco Township, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of **Anchor Bay School District** (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2021. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

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

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

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Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

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ANCHOR BAY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditor's report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
21.019	COVID-19 Coronavirus Relief Fund	Unmodified

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

Auditee qualified as low-risk auditee? X yes no

ANCHOR BAY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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ANCHOR BAY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2021

None reported.

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