



Bridgman Public School District
Berrien County, Michigan

Financial Report
June 30, 2020



St. Joseph, MI

BRIDGMAN PUBLIC SCHOOL DISTRICT
Bridgman, Michigan
June 30, 2020

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BRIDGMAN PUBLIC SCHOOL DISTRICT
Bridgman, Michigan
June 30, 2020

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BRIDGMAN PUBLIC SCHOOL DISTRICT
Bridgman, Michigan
June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Bridgman Public School District
Bridgman, Michigan

Report to the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgman Public School District (the "District"), as of and for the year ended June 30, 2020, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgman Public School District as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 15 to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 19, 2020

Bridgman Public School District is a K-12 school district located in Berrien County, Michigan. The Management's Discussion and Analysis, a requirement of the Governmental Accounting Standards Board ("GASB") Statement No. 34 ("GASB 34"), is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2020 of the management of Bridgman Public School District (the "District").

Generally accepted accounting principles ("GAAP") and GASB 34 require the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-wide financial statements are full accrual basis statements. They report all of the District's assets, deferred outflows, liabilities and deferred inflows, short-term and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the debt service funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Fund – QSCB and 2015 Refunding Bonds (a debt service fund), Recreation Fund, Student Activity Fund, and Food Services Fund (special revenue funds), Sinking Fund (a capital projects fund), and Debt Service Fund – 2012 Building and Site Bonds (a debt service fund).

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

The District as Trustee — Reporting the District's Fiduciary Responsibilities

Fiduciary funds are for assets that belong to others, such as certain parent organizations where the District is a trustee or fiduciary. The District cannot use these assets to finance its operations, but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources. During the fiscal year, the District implemented GASB 84, *Fiduciary Activities*, and no longer has any fiduciary funds.

Analysis of Financial Position

The district-wide net position of the District as of June 30 is summarized in the table below:

	<u>2020</u>	<u>2019 (Restated)</u>
Assets		
Current assets	\$ 6,398,203	\$ 5,460,171
Net capital assets	20,111,686	20,733,909
Total Assets	<u>\$ 26,509,889</u>	<u>\$ 26,194,080</u>
Deferred Outflows of Resources	<u>\$ 7,906,646</u>	<u>\$ 7,214,565</u>
Liabilities		
Current liabilities	\$ 2,440,600	\$ 2,562,542
Noncurrent liabilities	35,243,217	34,576,481
Total Liabilities	<u>\$ 37,683,817</u>	<u>\$ 37,139,023</u>
Deferred Inflows of Resources	<u>\$ 3,136,162</u>	<u>\$ 3,051,138</u>
Net Position (Deficit)		
Net investment in capital assets	\$ 8,080,600	\$ 7,250,450
Restricted	2,627,823	1,944,767
Unrestricted	(17,111,867)	(15,976,733)
Total Net Position (Deficit)	<u>\$ (6,403,444)</u>	<u>\$ (6,781,516)</u>

During fiscal year ended June 30, 2020, the District's net position increased by \$387,072. A few of the significant factors affecting net position during the year are discussed below.

A. Current Assets

The District's current assets increased by \$1,076,008 during the year, primarily due to an increase in cash and cash equivalents of \$1,104,639.

B. Capital Assets

The District's investment in capital assets decreased by \$622,223 during the year. The net activity for the year is summarized in the following table:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated	\$ 151,100	\$ -	\$ -	\$ 151,100
Assets being depreciated	37,011,294	407,104	(22,005)	37,396,393
Less: Accumulated depreciation	<u>(16,428,485)</u>	<u>(1,029,327)</u>	<u>22,005</u>	<u>(17,435,807)</u>
Net capital assets	<u>\$ 20,733,909</u>	<u>\$ (622,223)</u>	<u>\$ -</u>	<u>\$ 20,111,686</u>

Current year capital addition of \$407,104 is comprised of work related to the high school restroom renovation, fences, sprinkler system, new truck, and new bus.

C. Deferred Outflows of Resources

The District's deferred outflows of resources increased by \$692,081 during the year, primarily due to an increase in deferred outflows of resources related to OPEB.

D. Long-Term Debt

During fiscal 2012, the District issued \$1,770,000 of general obligation – unlimited tax School Building and Site bonds. The proceeds were used for partially remodeling, furnishing, and equipping school facilities, and developing and improving sites. During the current fiscal year, the District made principal payments totaling \$300,000.

During fiscal 2010, the District issued \$15,000,000 of general obligation – unlimited tax School Building and Site Bonds. The proceeds were used for acquiring, installing and equipping instructional technology for school facilities; equipping and remodeling school facilities; construction and improvement of athletic facilities; developing and improving sites, and paying the costs of issuing the bonds. During the current fiscal year, the District made \$1,150,000 of principal payments.

During fiscal 2016, bonds totaling \$3,605,000 were issued and recorded in the Debt Service – QSCB and 2015 Refunding Bonds Fund. The refunding was done for an estimated present value savings of \$156,237. During the current fiscal year, the District made its scheduled debt payments for this bond, which were interest-only payments.

Results of Operations

A. District-wide

The District-wide results of operations for the fiscal years ended June 30 are summarized in the table below:

	2020	2019 (Restated)
Revenues		
General Revenues		
Property taxes levied for general operations	\$ 10,719,526	\$ 10,348,511
Property taxes levied for recreational purposes	731,519	719,492
Property taxes levied for debt service purposes	1,573,271	1,592,173
Property taxes levied for capital project purposes	344,613	294,841
State aid not restricted to specific purposes	95,655	94,422
Other general revenues	239,164	265,762
Total general revenues	<u>\$ 13,703,748</u>	<u>\$ 13,315,201</u>
Operating Grants/Contributions		
Federal	\$ 869,501	\$ 470,495
State of Michigan	1,480,011	1,371,698
Other operating grants	158,640	258,645
Total operating grants/contributions	<u>\$ 2,508,152</u>	<u>\$ 2,100,838</u>
Capital Grants/Contributions		
Federal bond interest subsidy	\$ 487,349	\$ 541,028
Total capital grants/contributions	<u>\$ 487,349</u>	<u>\$ 541,028</u>
Charges for Services		
Food services	\$ 177,850	\$ 227,567
Student activities	160,656	275,952
Athletics	74,414	75,796
Recreation	42,951	45,483
Total charges for services	<u>\$ 455,871</u>	<u>\$ 624,798</u>
Total revenues	<u>\$ 17,155,120</u>	<u>\$ 16,581,865</u>
Expenses		
Instruction and instructional support	\$ 8,581,212	\$ 7,724,996
Support services	4,253,546	4,599,075
Food services	1,218,305	523,323
Student activities	159,034	137,976
Recreation	422,197	419,822
Athletics	392,558	384,195
Interest on long-term debt	720,869	791,530
Depreciation (unallocated)	1,029,327	1,094,443
Total expenses	<u>\$ 16,777,048</u>	<u>\$ 15,675,360</u>
Change in Net Position	<u>\$ 378,072</u>	<u>\$ 906,505</u>
Beginning Net Position (Deficit)	<u>(6,781,516)</u>	<u>(7,688,021)</u>
Ending Net Position (Deficit)	<u><u>\$ (6,403,444)</u></u>	<u><u>\$ (6,781,516)</u></u>

B. General Fund**State of Michigan Aid (Net State Foundation Grant)**

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

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 90 percent of current year fall count and 10 percent of prior year winter count, and
3. The District's non-homestead levy.

The District is an out-of-formula district, which means the District's non-homestead levy exceeded the total foundation granted by the State. As such, there are no State Foundation Allowance funds provided by the State, but the District does receive other State categorical grants.

Student Enrollment

The District's student enrollment for the fall count of 2019-2020 was 888 students. The District's enrollment increased by 10 students from the prior year's student count. The following summarizes fall student enrollments for the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2019-2020	888	10
2018-2019	878	29
2017-2018	849	(34)
2016-2017	883	(49)
2015-2016	932	4

Subsequent to year end June 30, 2020, preliminary student enrollments for 2020-2021 indicate enrollments will remain consistent with the fiscal 2021.

Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)

The District levies 8.3760 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property levy for the 2019-2020 fiscal year produced revenue of \$10,719,526. Revenue produced by the non-homestead tax levy increased by 3.6% percent over the prior year.

Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes), Concluded

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

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>	<u>% Change from Prior Year</u>
2019-2020	\$ 10,719,526	3.6%
2018-2019	10,348,511	4.9%
2017-2018	9,867,388	7.9%
2016-2017	9,146,484	3.9%
2015-2016	8,806,216	6.2%

Five Year Average Increase 5.30%

C. Debt Service Funds

The District's debt service funds levies are based on the taxable valuation of all properties – homestead and non-homestead. It is used to pay principal and interest on bond obligations of the District.

For 2019-2020, the District's debt millage levies totaled 1.05 mills that generated revenue of \$1,573,271.

D. Sinking Fund

The District's Sinking Fund is to be used for capital repairs. The sinking fund levy is determined by the difference of 1.28 mills and the debt levy. For 2019-2020, this was .23 mills and resulted in Sinking Fund revenue of \$344,613. The maximum Sinking Fund levy is .5 mills.

E. Recreation Fund

The District's recreation fund levies are based on the taxable valuation of all properties – homestead and non-homestead. The recreation fund levy is used to maintain community pool and other recreation facilities within the District. For 2019-2020, the millage was .4884 mills and generated revenue of \$731,519.

F. Food Sales to Students & Adults (School Lunch Program)

The District's food and milk sales to students and adults decreased by \$49,717 to \$177,850 from the prior school year due primarily to COVID-19. School breakfast, lunch, and milk prices did not change from the prior year. The total expenditures and transfers out from Food Services operations exceeded total revenues and transfers in for the year by \$29,196.

G. Student Activity Fund

The District's student activity fund is used to account for different student activities. This fund was created with the implementation of GASB Statement No. 84, *Fiduciary Activities*.

General Fund Expenditures Budget Vs. Actual—Five Year History

<u>Fiscal Year</u>	Expenditures			Variance:	Variance:
	<u>Preliminary Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Audit</u>	<u>Audit vs. Prelim. Budget</u>	<u>Audit vs. Final Budget</u>
2019-2020	\$ 12,393,217	\$ 12,674,414	\$ 12,619,198	-1.82%	0.44%
2018-2019	12,138,303	12,380,578	12,332,933	-1.60%	0.38%
2017-2018	11,772,943	12,059,385	12,082,792	-2.63%	-0.19%
2016-2017	10,908,599	11,155,698	11,146,148	-2.18%	0.09%
2015-2016	10,275,886	10,557,317	10,497,375	-2.16%	0.57%
Five Year Average (-Over/Under) Budget				-2.08%	0.26%

General Fund Revenues Budget Vs. Actual—Five Year History

<u>Fiscal Year</u>	Revenues			Variance:	Variance:
	<u>Preliminary Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Audit</u>	<u>Audit vs. Prelim. Budget</u>	<u>Audit vs. Final Budget</u>
2019-2020	\$ 12,423,918	\$ 13,035,757	\$ 12,883,975	3.70%	-1.16%
2018-2019	12,262,800	12,678,824	12,670,498	3.32%	-0.07%
2017-2018	11,821,329	12,228,401	12,198,043	3.19%	-0.25%
2016-2017	10,954,070	11,309,090	11,303,326	3.19%	-0.05%
2015-2016	10,330,420	10,876,402	10,839,268	4.93%	-0.34%
Five Year Average (Over/-Under) Budget				3.67%	-0.37%

Original vs. Final Budget

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

As a matter of practice, the District may amend its budget during the school year. For the 2019-2020 year, the District amended its original budget in January 2020 and June 2020.

Factors Bearing on District's Future

Management continues to monitor the market and make budget decisions using all available information. With the current Michigan Coronavirus situation, students have been given the choice of online or in-person instruction for the 2020/2021 school year. State Aid was expected to decrease. In addition, federal funds have been allocated to the District to help offset some of the costs associated with the current pandemic.

Contacting the District's Financial Management

The financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, please contact the Business Office at the District.

BRIDGMAN PUBLIC SCHOOL DISTRICTSTATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,808,767
Due from other governmental units	402,697
Inventories	35,322
Prepaid expenditures	151,417
Capital assets not being depreciated	151,100
Capital assets being depreciated, net	19,960,586
Total Assets	\$ 26,509,889
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	\$ 6,169,818
Deferred outflows of resources related to OPEB	1,589,941
Deferred interest charges on bond issuance	146,887
Total Deferred Outflows of Resources	\$ 7,906,646
Liabilities	
Accounts payable	\$ 71,645
Accrued payroll and other liabilities	756,203
Accrued interest	109,777
Unearned revenue	25,810
Noncurrent liabilities	
Long-term debt, due within one year	1,477,165
Long-term debt, due in more than one year	10,700,808
Net pension liability	20,104,031
Net OPEB liability	4,438,378
Total Liabilities	\$ 37,683,817
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	\$ 1,424,948
Deferred inflows of resources related to OPEB	1,711,214
Total Deferred Inflows of Resources	\$ 3,136,162
Net Position (Deficit)	
Net investment in capital assets	\$ 8,080,600
Restricted for:	
Capital projects	825,714
Student activity	139,598
Debt service	725,043
Recreation	937,468
Unrestricted	(17,111,867)
Total Net Position (Deficit)	\$ (6,403,444)

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

BRIDGMAN PUBLIC SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Capital Grants/ Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Primary government -					
Governmental activities:					
Instruction	\$ 8,581,212	\$ -	\$ 2,492,348	\$ -	\$ (6,088,864)
Support services	4,253,546	-	-	-	(4,253,546)
Food services	1,218,305	177,850	15,804	-	(1,024,651)
Student activities	159,034	160,656	-	-	1,622
Recreation	422,197	42,951	-	-	(379,246)
Athletics	392,558	74,414	-	-	(318,144)
Interest on long-term debt	720,869	-	-	487,349	(233,520)
Depreciation (unallocated)	1,029,327	-	-	-	(1,029,327)
	<u>\$ 16,777,048</u>	<u>\$ 455,871</u>	<u>\$ 2,508,152</u>	<u>\$ 487,349</u>	<u>\$ (13,325,676)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					\$ 10,719,526
Property taxes, levied for recreational purposes					731,519
Property taxes, levied for debt service purposes					1,573,271
Property taxes, levied for capital project purposes					344,613
State aid not restricted to specific purposes					95,655
Interest and investment earnings					139,732
Other					99,432
Total general revenues					<u>\$ 13,703,748</u>
Change in Net Position					\$ 378,072
Net Position (Deficit) - beginning of year as restated (Note 15)					<u>(6,781,516)</u>
Net Position (Deficit) - end of year					<u><u>\$ (6,403,444)</u></u>

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

BRIDGMAN PUBLIC SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General Fund</u>	<u>Recreation Fund</u>	<u>Debt Service Fund- QSCB and 2015 Refunding Bonds</u>	<u>Sinking Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 2,983,676	\$ 950,619	\$ 648,033	\$ 840,935	\$ 385,504	\$ 5,808,767
Due from other governmental units	182,706	3,161	6,796	1,489	135,677	329,829
Due from other governmental funds	16,710	989	6,400	-	3,893	27,992
Inventories	25,789	-	-	-	9,533	35,322
Prepaid expenditures	151,417	-	-	-	-	151,417
Total Assets	\$ 3,360,298	\$ 954,769	\$ 661,229	\$ 842,424	\$ 534,607	\$ 6,353,327
Liabilities						
Accounts payable	\$ 32,536	\$ 17,301	\$ -	-	\$ 21,808	\$ 71,645
Accrued salaries and other liabilities	756,203	-	-	-	-	756,203
Unearned revenue	25,810	-	-	-	-	25,810
Due to other governmental funds	4,882	-	-	16,710	6,400	27,992
Total Liabilities	\$ 819,431	\$ 17,301	\$ -	\$ 16,710	\$ 28,208	\$ 881,650
Fund Balances						
Non-spendable - inventories	\$ 25,789	\$ -	\$ -	\$ -	\$ 9,533	\$ 35,322
Non-spendable - prepaid items	151,417	-	-	-	-	151,417
Restricted for capital projects	-	-	-	825,714	-	825,714
Restricted for debt retirement	-	-	661,229	-	63,814	725,043
Restricted for food services	-	-	-	-	293,454	293,454
Restricted for student activities	-	-	-	-	139,598	139,598
Restricted for recreation	-	937,468	-	-	-	937,468
Assigned for 2020-21 budget deficit	11,614	-	-	-	-	11,614
Unassigned	2,352,047	-	-	-	-	2,352,047
Total Fund Balances	\$ 2,540,867	\$ 937,468	\$ 661,229	\$ 825,714	\$ 506,399	\$ 5,471,677
Total Liabilities and Fund Balances	\$ 3,360,298	\$ 954,769	\$ 661,229	\$ 842,424	\$ 534,607	\$ 6,353,327

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

BRIDGMAN PUBLIC SCHOOL DISTRICT**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balances - Governmental Funds **\$ 5,471,677**

Amounts reported for governmental activities in the Statement
of Net Position are different because:

Accrued federal receivable for interest subsidy related to the 2010 QSCB bond
issuance that will be received after 60 days but earned by year-end. 72,868

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

Cost of the capital assets 37,547,493
Accumulated depreciation (17,435,807)

Deferred outflows of resources related to:

Pensions 6,169,818
OPEB 1,589,941

Long-term liabilities are not due and payable in the current
period and are not reported in the funds.

Bonds payable (12,020,000)
Unamortized premiums (157,973)

Net pension liability (20,104,031)

Net OPEB liability (4,438,378)

Accrued interest on long-term debt is not included as a liability in
governmental funds, it is recorded when paid. (109,777)

Deferred interest charges from bond refundings are not capitalized in the
governmental funds. 146,887

Deferred inflows of resources related to benefit changes in assumptions and
in differences between projected and actual earnings on pension plan investments.

Pensions (744,890)
OPEB (1,711,214)

Deferred inflow in support of pension contributions made subsequent to the
measurement date. (680,058)

Total Net Position (Deficit) - Governmental Activities **\$ (6,403,444)**

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

BRIDGMAN PUBLIC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Recreation Fund</u>	<u>Debt Service Fund- QSCB and 2015 Refunding Bonds</u>	<u>Sinking Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total</u>
Revenues						
Property taxes	\$ 10,719,526	\$ 731,519	\$ 1,304,096	\$ 344,613	\$ 269,175	\$ 13,368,929
Local sources	142,743	42,951	28,467	2,636	338,506	555,303
State sources	1,559,862	-	-	-	15,804	1,575,666
Federal sources	185,491	-	497,057	-	684,010	1,366,558
Intermediate sources	157,177	-	1,463	-	-	158,640
Earnings on investments	119,176	13,180	-	7,376	-	139,732
Total Revenues	<u>\$ 12,883,975</u>	<u>\$ 787,650</u>	<u>\$ 1,831,083</u>	<u>\$ 354,625</u>	<u>\$ 1,307,495</u>	<u>\$ 17,164,828</u>
Expenditures						
Instruction and instructional support services	\$ 7,403,078	\$ -	\$ -	\$ -	\$ -	\$ 7,403,078
Support services	4,898,814	-	-	-	-	4,898,814
Food service	-	-	-	-	603,873	603,873
Student activities	-	-	-	-	159,034	159,034
Recreation	-	422,197	-	-	-	422,197
Debt service						
Principal	-	-	1,150,000	-	300,000	1,450,000
Interest	-	-	708,973	-	14,038	723,011
Intergovernmental payments	14,069	-	-	-	-	14,069
Capital outlay	303,237	39,822	-	64,045	-	407,104
Total Expenditures	<u>\$ 12,619,198</u>	<u>\$ 462,019</u>	<u>\$ 1,858,973</u>	<u>\$ 64,045</u>	<u>\$ 1,076,945</u>	<u>\$ 16,081,180</u>
Excess (Deficiency) of Revenues Over (Under)						
Expenditures	\$ 264,777	\$ 325,631	\$ (27,890)	\$ 290,580	\$ 230,550	\$ 1,083,648
Net Change in Fund Balances	\$ 264,777	\$ 325,631	\$ (27,890)	\$ 290,580	\$ 230,550	\$ 1,083,648
Fund Balances - Beginning of year, as restated (Note 15)	2,276,090	611,837	689,119	535,134	275,849	4,388,029
Fund Balances - End of year	<u>\$ 2,540,867</u>	<u>\$ 937,468</u>	<u>\$ 661,229</u>	<u>\$ 825,714</u>	<u>\$ 506,399</u>	<u>\$ 5,471,677</u>

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

BRIDGMAN PUBLIC SCHOOL DISTRICT**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,083,648
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(1,029,327)
Capital outlay	407,104
Accrued federal receivable for interest subsidy related to the 2010 QSCB bond issuance that will be received after 60 days but earned for full accrual by year-end.	(9,708)
Repayment of bond principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.	1,450,000
Change in benefit expense related to pension	(1,813,468)
Change in benefit expense related to OPEB	275,516
Amortization expense for bond premium	12,165
Current year use of deferred interest charges associated with the issuance of the 2015 refunding bonds	(9,792)
Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	<u>11,934</u>
Change in Net Position of Governmental Activities	<u><u>\$ 378,072</u></u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bridgman Public School District (the “District”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the District.

Reporting Entity

The District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District’s reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-Wide and Fund Financial Statements

The District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, 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. All of the District’s government-wide activities are considered governmental activities.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements – The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

District-Wide Statements (concluded) – Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the District-wide financial statements.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

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

The Recreation Fund is a fund that accounts for the income and expenditures from activities related to pool and recreation.

Debt Service Fund – 2010 Qualified School Construction Bonds ("QSCB") and 2015 Refunding Bonds is the fund that accounts for the accumulation of resources for, and the payments of, the long-term debt principal, interest, and other related costs of the 2010 QSCB bond and 2015 Refunding Bonds issued.

The Sinking Fund is used to account for financial resources that are restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Concluded)**

Additionally, the District reports the following fund types:

Special Revenue Funds are funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The special revenue funds maintained by the District are the major Recreation Fund and the nonmajor Food Services Fund and Student Activity Fund.

Debt Service Funds are used to account for the accumulation of resources for, and the payments of, the long-term debt principal, interest, and other related costs. The non-major debt service fund maintained by the District is the “2012 Building and Site Bonds.”

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

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

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown for the District. An allowance for uncollectible amounts is determined annually and is recorded as a liability on the statement of net position. For the District, taxpayers in the City of Bridgman and Lake Charter, Baroda, and Lincoln Townships, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100 percent of the taxes, which are due September 15. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)**

The State of Michigan (the “State”) utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State’s School Aid Fund and is recognized as revenue in accordance with State law and GAAP.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

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

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both District-wide and fund financial statements

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the District-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The District does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 - 50 years
Buses and other vehicles	5 - 10 years
Furniture and other equipment	5 - 20 years
Land Improvements	10 - 20 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)**

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 so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. These deferred outflows relate to the pension and OPEB plans, and deferred interest charges on bond issuance.

Compensated Absences – Employees are allowed to accrue varying amounts of sick leave each year depending on employee classification. However, no liability for unused sick leave is accrued, as such amounts cannot be reasonably estimated as compensation for future absences are contingent upon absences being caused by future illness. Vacation accruals have been recorded in the financial statements for those employees who earn and are allowed to accrue and be paid for unused vacation upon termination.

Unearned Revenue – The District receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Deferred Inflows of Resources – In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The District has two items that qualify for reporting in this category. These deferred inflows relate to the pension and OPEB plans.

Fund Equity – In accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District report fund balance using the following classifications: non spendable, restricted, committed, assigned and unassigned.

The following are definitions for the five fund balance classifications:

Non-spendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Concluded)**

Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally.

Assigned Fund Balance – includes amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed.

Unassigned Fund Balance – is the residual classification for General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances.

The District board has adopted a formal fund balance policy. When multiple components of fund balance are available for the same expenditure (for example, a project has both restricted and unrestricted funds available for it), spending will occur in this order – restricted, committed, assigned and unassigned.

Pension and Other Postemployment Benefit (“OPEB”) Plans – For the purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (“MPERS”) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. 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.

Comparative Data – Comparative data is not included in the District’s financial statements.

Estimates – The process of preparing financial statements in conformity with GAAP requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows, liabilities, deferred inflows, revenues and expenses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Budgetary Information – Annual budgets are adopted on a basis consistent with GAAP and State law for the General Fund and major special revenue funds. All annual appropriations lapse at fiscal year-end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of State Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year. There were no encumbrances at year end.

Net Position Deficit – As of June 30, 2020, the District-wide Statement of Net Position had a cumulative net deficit of \$6,403,444.

NOTE 2. DEPOSITS AND INVESTMENTS

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

	Governmental Activities
Cash and cash equivalents	<u>\$ 5,808,767</u>

Bank Deposits: All cash of the District is on deposit with financial institutions which provide FDIC insurance coverage.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2020, \$5,668,055 of the District's bank balances of \$6,436,055 was exposed to custodial credit risk, because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

NOTE 2. DEPOSITS AND INVESTMENTS (CONCLUDED)

Investments: State law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker's acceptance of the United States Bank, and 6) Certain mutual funds. The District has put further restrictions on those investments through its current policy. As of June 30, 2020, the District had no investments.

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

Credit Risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by Nationally Recognized Statistical Rating Organizations ("NRSRO's"). As of June 30, 2020, the District had no investments.

Concentration of Credit Risk: The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2020, the District had no investments.

Custodial Credit Risk – Investments: For an Investment, this is the risk that in the event of bank failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2020, the District had no investments.

Fair Value Measurement – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The District had no assets with recurring fair value measurements as of June 30, 2020.

NOTE 3. CAPITAL ASSETS

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated:				
Land	\$ 151,100	\$ -	\$ -	\$ 151,100
Subtotal	<u>\$ 151,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,100</u>
Capital assets being depreciated:				
Building and building improvements	\$ 29,302,176	\$ 109,690	\$ -	\$ 29,411,866
Land improvements	3,448,241	40,594	-	3,488,835
Buses and other vehicles	1,331,710	142,495	(22,005)	1,452,200
Furniture and equipment	2,929,167	114,325	-	3,043,492
Subtotal	<u>\$ 37,011,294</u>	<u>\$ 407,104</u>	<u>\$ (22,005)</u>	<u>\$ 37,396,393</u>
Accumulated depreciation:				
Building and building improvements	\$ 11,898,937	\$ 611,503	\$ -	\$ 12,510,440
Land improvements	1,400,217	154,626	-	1,554,843
Buses and other vehicles	1,224,412	15,265	(22,005)	1,217,672
Furniture and equipment	1,904,919	247,933	-	2,152,852
Subtotal	<u>\$ 16,428,485</u>	<u>\$ 1,029,327</u>	<u>\$ (22,005)</u>	<u>\$ 17,435,807</u>
Net capital assets being depreciated	<u>\$ 20,582,809</u>			<u>\$ 19,960,586</u>
Net capital assets	<u>\$ 20,733,909</u>			<u>\$ 20,111,686</u>

Depreciation expense of \$1,029,327 was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds:		
Receivable Fund	Payable Fund	Amount
General Fund	Sinking Fund	\$ 16,710
Food Services Fund	General Fund	1,494
Recreation Fund	General Fund	989
Debt Service Fund - 2012 Building and Site Bonds	General Fund	2,399
Debt Service Fund - QSCB and 2015 Refunding Bonds	Debt Service Fund - 2012 Building and Site Bonds	6,400

The amount due from General Fund to Food Services is related to the allocation of At Risk income to food services. All other amounts due between funds arise from tax allocations.

NOTE 5. LONG-TERM DEBT

The District has issued bonds to provide for the improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bonds	\$ 13,470,000	\$ -	\$ (1,450,000)	\$ 12,020,000	\$ 1,465,000
Unamortized premiums	170,138	-	(12,165)	157,973	12,165
Total Long-Term Debt	<u>\$ 13,640,138</u>	<u>\$ -</u>	<u>\$ (1,462,165)</u>	<u>\$ 12,177,973</u>	<u>\$ 1,477,165</u>

Governmental Activities:

General obligation bonds consist of:

\$1,770,000 - 2012 School Building and Site Bonds (general obligation - unlimited tax); payable in annual installments of \$100,000 to \$315,000 beginning May 1, 2012 through May 1, 2021; interest from 1.25% to 2.25%.	\$ 8,100,000
\$15,000,000 - 2010 School Building and Site Bonds, Series A, QSCB, (general obligation - unlimited tax); payable in installments of \$1,150,000 to \$1,175,000 beginning May 1, 2015 through May 1, 2027; interest from 3.8% to 6.50%.	315,000
\$3,605,000 - 2015 Refunding Bonds (general obligation - unlimited tax); payable in installments of \$72,100 to \$594,200 beginning May 1, 2016 through May 1, 2035; interest at 4.0%.	<u>3,605,000</u>
	<u>\$ 12,020,000</u>

NOTE 5. LONG-TERM DEBT (CONCLUDED)

Annual debt service requirements to maturity for the bond and unamortized premiums are as follows:

	Principal	Interest	Total
2021	\$ 1,465,000	\$ 651,914	\$ 2,116,914
2022	1,150,000	580,426	1,730,426
2023	1,150,000	512,000	1,662,000
2024	1,150,000	443,576	1,593,576
2025	1,150,000	371,700	1,521,700
2024-2030	3,250,000	787,926	4,037,926
2031-2034	2,250,000	361,000	2,611,000
2035	455,000	18,200	473,200
Unamortized premiums	157,973	-	157,973
	<u>\$ 12,177,973</u>	<u>\$ 3,726,742</u>	<u>\$ 15,904,715</u>

Interest expense of \$720,869 was not allocated, as the District considers its debt impacts multiple activities and allocation is not practical. Future interest payments listed in the above schedules are presented gross, and have not been offset by the interest subsidy anticipated to be received by the federal government for the Qualified School Construction Bonds.

Defeased Debt – During fiscal 2016, the District defeased \$3,675,000 of unlimited tax refunding bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future interest and principal payments totaling \$6,299,786. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District’s financial statements. As of June 30, 2020, the amount of defeased debt outstanding, but removed from the District’s financial statements, is \$3,675,000. The final payment date for the 2015 refunding bonds is May 1, 2035.

NOTE 6. RISK MANAGEMENT

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

NOTE 7. PROVISION FOR UNCOLLECTIBLE PROPERTY TAXES

The Berrien County Treasurer’s office assumes the responsibility of collecting delinquent real and personal property taxes. The County advances real property taxes in anticipation of collection, but it remits delinquent personal property taxes as it receives payment.

The District has been advised that it is responsible for repayment to the County, plus interest, of any uncollectible real property taxes. Accordingly, a provision of \$18,000 for uncollectible real property taxes has been established to provide for such a repayment to the County. This amount is included in other liabilities.

NOTE 8. UNEARNED/UNAVAILABLE REVENUE

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

Description	Unavailable	Unearned
At Risk (31A)	\$ -	\$ 14,945
Early Literacy	-	7,843
Other amounts	-	3,022
Total	\$ -	\$ 25,810

NOTE 9. SINKING FUND EXPENDITURES

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM

Plan Description - The Michigan Public School Employees’ Retirement System (“MPERS”) (“System”) is a costsharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (“State”) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board’s authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Benefits Provided - Overall – participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plan offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension - 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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (“MIP”). Basic Plan member’s contributions range from 0% - 4%. On January 1, 1987, the MIP was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010 - On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (“DC”) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012 - On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member’s pension 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.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- MIP-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation ("FAC") - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017 - On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit ("OPEB") - 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 health care 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.

Retiree Healthcare Reform of 2012 - Public Act 300 of 2012 granted all active members of MPSERS, 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.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age) - Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For MIP members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan ("PPP") members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions - Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions - Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	<u>Pension</u>	<u>Other Postemployment Benefits</u>
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were \$1,728,806.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were \$437,152.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability ("UAAL") Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities - The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total pension liability	\$ 83,442,507,212	\$ 79,863,694,444
Plan fiduciary net position	50,325,869,388	49,801,889,205
Net pension liability	33,116,637,824	30,061,805,239
Proportionate share	0.060707%	0.058938%
Net pension liability for the District	20,104,031	17,717,731

For the year ended June 30, 2020, the District recognized pension expense of \$3,497,634.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 90,113	\$ 83,832
Changes of assumptions	3,936,383	-
Net difference between projected and actual earnings on pension plan investments	-	644,300
Changes in proportion and differences between District contributions and proportionate share of contributions	570,843	16,758
District contributions subsequent to the measurement date	1,572,479	-
Revenues in support of contributions subsequent to the measurement date	-	680,058
Total	<u>\$ 6,169,818</u>	<u>\$ 1,424,948</u>

Deferred inflows of resources of \$680,058 resulting from the pension portion of State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2021.

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 Ending June 30	Amount:
2020	\$ 1,536,253
2021	1,211,704
2022	785,128
2023	319,364
	<u>\$ 3,852,449</u>

*The contributions subsequent to the measurement date as a reduction of the net pension liability in the following year.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

OPEB Liabilities - The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university

employers	September 30, 2019	September 30, 2018
Total other postemployment benefits liability	\$ 13,925,860,688	\$ 13,932,170,264
Plan fiduciary net position	6,748,112,668	5,983,218,473
Net other postemployment liability	7,177,748,020	7,948,951,791
Proportionate share	0.06184%	0.05875%
Net other postemployment benefits liability for the District	4,438,378	4,669,877

For the year ended June 30, 2020, the District recognized OPEB expense of \$168,650. At June 30, 2020, 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
Differences between expected and actual experience	\$ -	\$ 1,628,566
Change of assumptions	961,707	-
Net difference between projected and actual earnings on pension plan investments	-	77,186
Changes in proportion and differences between District contributions and proportionate share of contributions	256,245	5,462
District contributions subsequent to the measurement date	371,989	-
Total	\$ 1,589,941	\$ 1,711,214

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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 Ending June 30	Amount:
2020	\$ (151,501)
2021	(151,501)
2022	(112,962)
2023	(56,302)
2024	(20,996)
	<u>\$ (493,262)</u>

*The contributions subsequent to the measurement date as a reduction of the net OPEB liability in the following year.

Actuarial Assumptions - The total pension liability and total OPEB liability as of September 30, 2019 is based on the results of an actuarial valuation as of September 30, 2018 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Summary of Actuarial Assumptions

Actuarial cost method	Entry Age, Normal
Wage inflation rate	3.00%
Investment rate of return - Pension	6.00 - 6.80%
Investment rate of return - OPEB	6.95%
Projected salary increases	2.75%, including wage inflation at 3.00%
Healthcare cost trend rate	7.5%, Year 1 graded to 3.0% Year 12
Cost-of-living pension adjustments	3% Annual Non-Compounded for MIP Members
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Disable Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.5% in year twelve.

Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:

Opt Out Assumption - 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 coverage 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.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The target asset allocation as September 30, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0%	8.6%
International Equity Pools	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.4%
Short-Term Investment Pools	2.0%	0.8%
TOTAL	100.0%	

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

Rate of Return - For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONCLUDED)

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit'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 than the current rate:

<u>1% Decrease</u>	<u>Current Single Discount Rate Assumption</u>	<u>1% Increase</u>
\$ 26,136,527	\$ 20,104,031	\$ 15,102,885

Sensitivity of the net OPEB liability to changes in the discount rate -The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit'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 than the current rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 5,444,337	\$ 4,438,378	\$ 3,593,651

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$ 3,557,838	\$ 4,438,378	\$ 5,444,218

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

Payable to the pension and OPEB plan - At year end the District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS UAAL.

NOTE 11. OTHER BENEFITS

In addition to the pension benefits described previously, the District also provides 403(b) tax deferred annuity plans. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

The District is also able to offer a tax deferred “buy-in” program for years of service for all eligible employees in the state-provided pension plan. The percentage rate for the employee’s contribution was calculated based on the previous year’s salary and age.

NOTE 12. CONTINGENT LIABILITIES

Grants – In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 13. TAX ABATEMENT

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. For the fiscal year ended June 30, 2020, the District’s property tax revenues were reduced by \$2,166 under these programs.

NOTE 14. UPCOMING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District’s financial statements for the year ending June 30, 2022.

NOTE 15. ADOPTION OF NEW PRONOUNCEMENT

For the year ended June 30, 2020, the District implemented the following new pronouncement: GASB Statement No. 84, *Fiduciary Activities*.

NOTE 15. ADOPTION OF NEW PRONOUNCEMENT (CONCLUDED)

Summary - GASB Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and is effective for the District’s 2020 year end. The District has elected to early implement this statement. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

The restatement of the beginning of the year fund balances and net position is as follows

	Fund Balances	
	Non-Major Student Activities Fund	Total Governmental Funds
	Fund	Funds
Fund balances as July 1, 2019, as previously stated	\$ -	\$ 4,250,053
Adoption of GASB Statement 84	137,976	137,976
Fund balances as of July 1, 2019, as restated	<u>\$ 137,976</u>	<u>\$ 4,388,029</u>
	Net Position (Deficit)	
	Governmental Activities	Custodial Fund
	Activities	Custodial Fund
Net position as July 1, 2019, as previously stated	\$ (6,919,492)	\$ 137,976
Adoption of GASB Statement 84	137,976	(137,976)
Net position as of July 1, 2019, as restated	<u>\$ (6,781,516)</u>	<u>\$ -</u>

NOTE 16. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 19 2020, the date the financial statements were available to be issued.

The global coronavirus pandemic of 2020 (“COVID-19”), has caused the financial picture for Michigan School Districts to see a unanticipated change. Currently, the duration and full effects of the outbreak are unknown, as the local and global picture continues to change frequently. In March 2020, public schools were closed for the remainder of the 2019-2020 school year and the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts in the August 2020 state aid payment. Public Act 123 of 2020 provides Districts an approximate \$12.32 per pupil and Public Act 146 of 2020 which provides Districts \$350 per pupil. These new revenue sources approved subsequent to June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by GASB. Additionally, the “Return to Learn” legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation per pupil and allows flexibilities in the days and attendance requirements for Districts. Although the District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the District’s results of future operations, financial position, and liquidity in fiscal year 2020.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY SCHEDULE
 BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
 YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance (Negative) Positive
Revenues				
Property taxes	\$ 10,622,096	\$ 10,723,431	\$ 10,719,526	\$ (3,905)
Local sources	145,600	143,178	142,743	(435)
State sources	1,265,455	1,712,146	1,559,862	(152,284)
Federal sources	178,724	185,491	185,491	-
Intermediate sources	122,023	157,177	157,177	-
Earnings on investments	90,020	114,334	119,176	4,842
Total Revenues	<u>\$ 12,423,918</u>	<u>\$ 13,035,757</u>	<u>\$ 12,883,975</u>	<u>\$ (151,782)</u>
Expenditures				
Instruction				
Basic programs	\$ 6,182,438	\$ 5,897,720	\$ 5,883,331	\$ 14,389
Added needs	1,369,984	1,418,784	1,385,092	33,692
Adult and continuing education	130,124	134,559	134,655	(96)
Supporting services				
Pupil	920,864	974,035	1,006,114	(32,079)
Instructional staff	316,129	317,102	295,878	21,224
General administration	271,260	426,627	423,903	2,724
School administration	825,388	823,079	840,630	(17,551)
Business services	327,371	326,353	322,854	3,499
Athletics	389,228	375,258	370,358	4,900
Operations and maintenance	1,184,427	1,240,827	1,218,047	22,780
Transportation	460,431	421,815	421,030	785
Capital outlay	-	303,237	303,237	-
Intergovernmental payments	15,573	15,018	14,069	949
Total Expenditures	<u>\$ 12,393,217</u>	<u>\$ 12,674,414</u>	<u>\$ 12,619,198</u>	<u>\$ 55,216</u>
Excess (Deficit) of Revenues Over (Under)				
Expenditures	<u>\$ 30,701</u>	<u>\$ 361,343</u>	<u>\$ 264,777</u>	<u>\$ (96,566)</u>
Net Change in Fund Balances	\$ 30,701	\$ 361,343	\$ 264,777	<u>\$ (96,566)</u>
Fund Balances - Beginning of year	<u>2,276,090</u>	<u>2,276,090</u>	<u>2,276,090</u>	
Fund Balances - End of year	<u>\$ 2,306,791</u>	<u>\$ 2,637,433</u>	<u>\$ 2,540,867</u>	

The Notes to Required Supplementary Information are an integral part of this statement.

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — RECREATION FUND
YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance (Negative) Positive
Revenues				
Property taxes	\$ 727,451	\$ 730,527	\$ 731,519	\$ 992
Local sources	44,725	42,948	42,951	3
Earnings on investments	6,500	12,501	13,180	679
Total Revenues	<u>\$ 778,676</u>	<u>\$ 785,976</u>	<u>\$ 787,650</u>	<u>\$ 1,674</u>
Expenditures				
Recreation	\$ 483,127	\$ 417,279	\$ 422,197	\$ (4,918)
Capital outlay	39,900	39,900	39,822	78
Total Expenditures	<u>\$ 523,027</u>	<u>\$ 457,179</u>	<u>\$ 462,019</u>	<u>\$ (4,840)</u>
Excess of Revenues over Expenditures	<u>\$ 255,649</u>	<u>\$ 328,797</u>	<u>\$ 325,631</u>	<u>\$ (3,166)</u>
Net Change in Fund Balances	\$ 255,649	\$ 328,797	\$ 325,631	<u>\$ (3,166)</u>
Fund Balances - Beginning of year	611,837	611,837	611,837	
Fund Balances - End of year	<u>\$ 867,486</u>	<u>\$ 940,634</u>	<u>\$ 937,468</u>	

The Notes to Required Supplementary Information are an integral part of this statement.

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability	0.06071%	0.05894%	0.05843%	0.05656%	0.05652%	0.05188%
District's proportionate share of net pension liability	\$ 20,104,031	\$ 17,717,731	\$ 15,144,001	\$ 14,111,958	\$ 13,804,730	\$ 11,426,867
District's covered-employee payroll	\$ 5,396,425	\$ 4,996,976	\$ 4,961,329	\$ 4,770,734	\$ 4,874,967	\$ 4,630,281
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	372.54%	354.57%	305.24%	295.80%	283.18%	246.79%
Plan fiduciary net position as a percentage of total pension liability	60.08%	62.12%	63.96%	63.01%	62.92%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

The Notes to Required Supplementary Information are an integral part of this statement.

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,728,806	\$ 1,602,852	\$ 1,498,981	\$ 1,396,936	\$ 1,314,076	\$ 1,022,706
Contributions in relation to statutorily required contributions	<u>1,728,806</u>	<u>1,602,852</u>	<u>1,498,981</u>	<u>1,396,936</u>	<u>1,314,076</u>	<u>1,022,706</u>
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered-employee payroll	\$ 5,603,177	\$ 5,334,809	\$ 4,935,377	\$ 5,098,838	\$ 4,896,859	\$ 7,868,348
Contributions as a percentage of covered-employee payroll	30.85%	30.05%	30.37%	27.40%	26.84%	21.01%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

The Notes to Required Supplementary Information are an integral part of this statement.

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	0.06184%	0.05875%	0.05824%
District's proportionate share of net OPEB liability	\$ 4,438,378	\$ 4,669,877	\$ 5,157,688
District's covered-employee payroll	\$ 5,396,425	\$ 4,996,976	\$ 4,961,329
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.25%	93.45%	103.96%
Plan fiduciary net position as a percentage of total OPEB liability	48.67%	43.10%	36.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 437,152	\$ 414,699	\$ 414,699
Contributions in relation to statutorily required contributions	<u>437,152</u>	<u>414,699</u>	<u>414,699</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,603,177	\$ 5,334,809	\$ 5,334,809
Contributions as a percentage of covered-employee payroll	7.80%	7.77%	7.77%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

BRIDGMAN PUBLIC SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

Change of pension benefit terms:

There were no changes of benefit terms for the plan year ended September 30, 2019.

Change of pension assumptions:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

Change of OPEB benefit terms:

There were no changes of benefit terms for the plan year ended September 30, 2019.

Change of OPEB assumptions:

Discount rate for decreased to 6.95% from 7.15%.

Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50% Year 1 graded to 3.00% Year 12.

Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations in Budgeted Funds – See previous Budgetary Comparison Schedules for budget variances as they apply to the District.

**OTHER SUPPLEMENTARY
INFORMATION**

BRIDGMAN PUBLIC SCHOOL DISTRICT

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	
	<u>Food Services Fund</u>	<u>Student Activity Fund</u>	<u>Debt Service Fund - 2012 Building and Site Bonds</u>	<u>Total Non-Major Governmental Funds</u>
Assets				
Cash and investments	\$ 178,091	\$ 139,598	\$ 67,815	\$ 385,504
Due from other governmental units	135,677	-	-	135,677
Due from other governmental funds	1,494	-	2,399	3,893
Inventories	9,533	-	-	9,533
Total Assets	<u>\$ 324,795</u>	<u>\$ 139,598</u>	<u>\$ 70,214</u>	<u>\$ 534,607</u>
Liabilities				
Accounts payable	\$ 21,808	\$ -	\$ -	\$ 21,808
Due to other governmental funds	-	-	6,400	6,400
Total Liabilities	<u>\$ 21,808</u>	<u>\$ -</u>	<u>\$ 6,400</u>	<u>\$ 28,208</u>
Fund Balances				
Non-spendable - inventories	\$ 9,533	\$ -	\$ -	\$ 9,533
Restricted for debt retirement	-	-	63,814	63,814
Restricted for food services	293,454	-	-	293,454
Restricted for student activities	-	139,598	-	139,598
Total Fund Balances	<u>\$ 302,987</u>	<u>\$ 139,598</u>	<u>\$ 63,814</u>	<u>\$ 506,399</u>
Total Liabilities and Fund Balances	<u>\$ 324,795</u>	<u>\$ 139,598</u>	<u>\$ 70,214</u>	<u>\$ 534,607</u>

BRIDGMAN PUBLIC SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	
	<u>Food Services Fund</u>	<u>Student Activity Fund</u>	<u>Debt Service Fund - 2012 Building and Site Bonds</u>	<u>Total Non-Major Governmental Funds</u>
Revenues				
Property taxes	\$ -	\$ -	\$ 269,175	\$ 269,175
Local sources	177,850	160,656	-	338,506
State sources	15,804	-	-	15,804
Federal sources	684,010	-	-	684,010
Total Revenues	<u>\$ 877,664</u>	<u>\$ 160,656</u>	<u>\$ 269,175</u>	<u>\$ 1,307,495</u>
Expenditures				
Food service	\$ 603,873	\$ -	\$ -	\$ 603,873
Student activities	-	159,034	-	159,034
Debt service				
Principal payments	-	-	300,000	300,000
Interest	-	-	14,038	14,038
Total Expenditures	<u>\$ 603,873</u>	<u>\$ 159,034</u>	<u>\$ 314,038</u>	<u>\$ 1,076,945</u>
Net Change in Fund Balances	\$ 273,791	\$ 1,622	\$ (44,863)	\$ 230,550
Fund Balances - Beginning of year, as restated (Note 15)	29,196	137,976	108,677	275,849
Fund Balances - End of year	<u>\$ 302,987</u>	<u>\$ 139,598</u>	<u>\$ 63,814</u>	<u>\$ 506,399</u>

SINGLE AUDIT INFORMATION

BRIDGMAN PUBLIC SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor Pass Through Grantor Program Title Grant Number U.S. Department of Education Clusters:	Grant/Project Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2019	Adjustments	Federal Funds/ In- Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2020
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education: National School Lunch Program: Non-Cash Assistance (Commodities) - National School Lunch Program - Entitlement Commodities - 2019/2020	N/A	10.555	\$ 33,844	\$ -	\$ -	\$ -	\$ 33,844	\$ 33,844	\$ -
Cash Assistance: National School Breakfast Program 2018/2019	191970	10.553	39,130	33,924	-	-	5,206	5,206	-
National School Breakfast Program 2019/2020	201970	10.553	22,445	-	-	-	22,445	22,445	-
National School Lunch Program 2018/2019	191960	10.555	165,375	142,413	-	-	22,962	22,962	-
National School Lunch Program 2019/2020	201960	10.555	38,891	-	-	-	39,891	39,891	-
COVID SFSP (Unanticipated Grant Payments)	200902	10.555	475,221	-	-	-	342,504	475,221	132,717
COVID SFSP (Unanticipated Grant Payments)	201960	10.555	62,080	-	-	-	62,080	62,080	-
Total National Lunch Program			\$ 836,986	\$ 176,337	\$ -	\$ -	\$ 528,932	\$ 661,649	\$ 132,717
Summer Food Service Program for Children: Summer Food Service Program for Children - Summer Food Meals	190900	10.559	\$ 20,254	\$ -	\$ -	\$ -	\$ 20,254	\$ 20,254	\$ -
Summer Food Service Program for Children - Sponsor Administration	191900	10.559	2,107	-	-	-	2,107	2,107	-
Total Summer Food Service Program for Children			\$ 22,361	\$ -	\$ -	\$ -	\$ 22,361	\$ 22,361	\$ -
Total Child Nutrition Cluster			\$ 859,347	\$ 176,337	\$ -	\$ -	\$ 551,293	\$ 684,010	\$ 132,717
Medicaid Cluster - U.S. Department of Health and Human Services Passed through the Berrien RESA Medicaid Outreach - 2019/2020	N/A	93.778	\$ 4,647	\$ -	\$ -	\$ -	\$ 4,647	\$ 4,647	\$ -
Total Medicaid Cluster			\$ 4,647	\$ -	\$ -	\$ -	\$ 4,647	\$ 4,647	\$ -
Total federal program clusters			\$ 863,994	\$ 176,337	\$ -	\$ -	\$ 555,940	\$ 688,657	\$ 132,717

See accompanying notes to Schedule of Expenditures of Federal Awards.

BRIDGMAN PUBLIC SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2019	Adjustments	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2020
Noncluster programs passed through the Michigan Department of Education:									
Grants to Local Educational Agencies - Title I, Part A									
Title I, Part A 1819	191530	84.010	\$ 152,831	\$ 152,430	\$ 58,063	\$ -	\$ 58,063	\$ -	\$ -
Title I, Part A 1920	201530	84.010	140,451	-	-	-	124,194	132,667	8,473
Total Title I, Part A			<u>\$ 293,282</u>	<u>\$ 152,430</u>	<u>\$ 58,063</u>	<u>\$ -</u>	<u>\$ 182,257</u>	<u>\$ 132,667</u>	<u>\$ 8,473</u>
Student Support and Academic Enrichment Grant - Title IV, Part A									
Title IV, Part A 1819	190750	84.424	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ -
Title IV, Part A 1920	200750	84.424	10,151	-	-	-	10,151	10,151	-
Total Title IV, Part A			<u>\$ 20,151</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 20,151</u>	<u>\$ 10,151</u>	<u>\$ -</u>
Improving Teacher Quality - Title II, Part A									
Title II, Part A 1819	190520	84.367	\$ 37,534	\$ 37,534	\$ 10,807	\$ -	\$ 10,807	\$ -	\$ -
Title II, Part A 1920	200520	84.367	26,522	-	-	-	26,522	26,522	-
Total Title II, Part A			<u>\$ 64,056</u>	<u>\$ 37,534</u>	<u>\$ 10,807</u>	<u>\$ -</u>	<u>\$ 37,329</u>	<u>\$ 26,522</u>	<u>\$ -</u>
Total noncluster programs passed through the State of Michigan			<u>\$ 377,489</u>	<u>\$ 199,964</u>	<u>\$ 78,870</u>	<u>\$ -</u>	<u>\$ 239,737</u>	<u>\$ 169,340</u>	<u>\$ 8,473</u>
Noncluster programs passed through the Berrien RESA:									
Perkins Grant - 2019-2020	N/A	84.048	\$ 11,504	\$ -	\$ -	\$ -	\$ 11,504	\$ 11,504	\$ -
Total noncluster programs passed through the Berrien RESA			<u>\$ 11,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,504</u>	<u>\$ 11,504</u>	<u>\$ -</u>
Total noncluster programs			<u>\$ 388,993</u>	<u>\$ 199,964</u>	<u>\$ 78,870</u>	<u>\$ -</u>	<u>\$ 251,241</u>	<u>\$ 180,844</u>	<u>\$ 8,473</u>
Total Federal Financial Assistance			<u>\$ 1,252,987</u>	<u>\$ 376,301</u>	<u>\$ 78,870</u>	<u>\$ -</u>	<u>\$ 807,181</u>	<u>\$ 869,501</u>	<u>\$ 141,190</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

BRIDGMAN PUBLIC SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

SECTION I –SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditors report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes none reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes none reported

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

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

Identification of major programs:

CFDA
Number(s) Name of Federal Program or Cluster
10.553, 10.555,
10.556 & 10.559 Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes No

SECTION II –STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding: 2019-001 – Material Weakness – Financial Statement Preparation

Criteria – Establishment and maintenance of internal controls over the financial reporting process. Internal controls should be in place to provide reasonable assurance to the District that management prepare, monitor, and report annual financial activity without auditor intervention.

Condition – Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and related footnotes. The staff of the District does understand the information included in the annual financial statements, but obtained assistance in preparation.

Cause and Effect – The District should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Recommendation – The District has already reviewed the circumstances surrounding this occurrence and is cognizant of the corrective action.

Views of the Responsible Officials and Planned Corrective Actions – The District is aware of this deficiency. The District feels the finding is largely a result of unforeseen staffing changes. Accordingly, the District is taking steps to ensure the current personnel responsible for financial reporting continue to deepen their understanding of the financial statements and are provided the resources needed to sufficiently participate in preparation of the financial statements.

Status of Comment – The District has addressed and resolved this finding. The supervisor of business services in particular has improved her skills, knowledge and experience of accounting and reporting through continued education courses, continual correspondence with peers and the independent audit firm, and other means. As a result, the District has increased its ability to oversee preparation of the financial statements and accept responsibility for them.

BRIDGMAN PUBLIC SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

SECTION II –STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS (CONCLUDED)

Finding: 2019-002 – Material Weakness – Material Audit Adjustments

Criteria – School districts are responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles. The District should prevent, or detect and correct in a timely manner, misstatements in the general ledger accounts.

Condition – Audit procedures detected material misstatements in the accounts of the District.

Cause and Effect – Prior to adjustments proposed and recorded through the audit process, the accounts were materially misstated.

Recommendation – The District has already reviewed and approved the necessary correcting journal entries, and their effect is properly included in the audited financial statements. Accordingly, no further corrective action is needed.

Views of the Responsible Officials and Planned Corrective Actions – The District is aware of this deficiency and have taken steps to ensure accuracy of the general ledger accounts for this year and future years. The District feels this situation was in part a result of staffing changes and are confident this finding will be corrected.

Status of Comment – The District has addressed and resolved this finding, as there were no material audit adjustments as a result of audit procedures for fiscal year 2020.

SECTION III – FINANCIAL STATEMENT FINDINGS

Finding: 2020-001 – Material Noncompliance – Budget Variance

Criteria – The Uniform Budgeting and Accounting Act (the “Act”) establishes budgeting requirements for local units of government. Noncompliance with this Act includes, but is not limited, to, net change in fund balance being less than the budgeted amount.

Condition – The District’s General Fund net change in fund balance was less than the budgeted amount.

Cause and Effect – Actual revenues in the General Fund were less than the budgeted amount primarily as a result of reduced State sources revenue, which was due to the COVID-19 pandemic. Expenditures were not sufficiently under budget to offset this variance in revenues, resulting in change in fund balance that was less than the budgeted amount.

Recommendation – Budgets should be sufficiently conservative to allow for unexpected decreases in revenue and/or unexpected increases in expenditures. Budgets should be amended as new information comes to light regarding such decreases or increases. However, we acknowledge circumstances surrounding the decreased State sources revenue in particular were not reasonably foreseeable in the timeframe in which the budget could have been amended.

Views of the Responsible Officials and Planned Corrective Actions – The District is aware of this deficiency and continues to take steps to ensure accuracy of budgeted amounts, amending budgeted amounts as needed, given information known at the time. The District feels the variance for this year is an anomaly and does not expect this condition to continue in the future.

BRIDGMAN PUBLIC SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding: 2020-002 – CFDA Number, Federal Agency, and Program Name – 10.553, 10.555, 10.559
Child Nutrition Cluster, U.S. Department of Agriculture

Finding Type – Material weakness in internal controls (*Uniform Guidance*).

Criteria – The USDA requires that the ending balance of the non-profit school food service fund does not exceed three months’ average of operating expenses. If an excess fund balance should occur, the School Food Authority (“SFA”) will be required to develop a spending plan for reducing the balance to an acceptable level during the following school year. The plan must be submitted to MDE, Office of School Support Services, for prior approval. As a result, this allows the SFA to use those excess funds to further improve the school meals program operations. The school food service account is a non-profit account which means that the excess funds cannot be used to profit the general fund. It must be used for a specific purpose in the School Meals Program.

Condition – The District’s fund equity in the Food Service Fund exceeded the allowable three-months of expenditures threshold.

Questioned Costs – None

Context – The District’s fund equity of \$324,795 at fiscal year-end exceeded the allowable three-months of expenditures threshold by \$101,686.

Cause and Effect – During the 2020 fiscal year, the District’s revenues exceeded expenditures, such that, when added to the opening fund balance, the final fund balance caused the fund to be in non-compliance. Without proper monitoring, the District could see an adverse effect of funding from federal sources.

Recommendation – The District has already reviewed the circumstances surrounding this occurrence and is cognizant of the corrective action.

Views of the Responsible Officials and Planned Corrective Actions – The District will use up fund balance with the purchase of a new equipment. The District will monitor the fund balance throughout the 2020-21 school year to ensure the fund balance does not exceed the state limits.

BRIDGMAN PUBLIC SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bridgman Public Schools (the "District") under programs of the federal government for the year ended June 30, 2020. 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* (the "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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principals contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein *certain* types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Passthrough entity identifying numbers are presented where available.

NOTE 3. FOOD DISTRIBUTION

The amounts reported on the Recipient Entitlement Balance Report ("PAL report"), agree with this schedule for USDA donated food commodities and are reported in the Federal Funds/In-Kind Payments column. Spoilage or pilferage, if any, is included in expenditures.

NOTE 4. SCHEDULE OF RECONCILIATION OF EXPENDITURES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The actual Federal source expenditures amounted to \$869,501 per the audit of the financial statements. The related expenditures are composed of the following:

	Amount
Actual cash expenditures	\$ 835,657
Entitlement commodities used	33,844
	<u>\$ 869,501</u>

BRIDGMAN PUBLIC SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE 4. SCHEDULE OF RECONCILIATION OF EXPENDITURES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS (CONCLUDED)

The actual Federal source revenues amounts to \$869,501 per the audit of the financial statements. The related revenues are composed of the following:

Financial Statement Reporting Units:	
General Fund	\$ 185,491
Debt Service Fund - QSCB and 2015 Refunding Bond	497,057
Non-Major Fund - Food Services Fund	<u>684,010</u>
Total Federal Revenues reported in Financial Statement Audit	\$ 1,366,558
Less Federal Revenues that are excluded from Uniform Guidance consideration:	
Federal interest subsidy in debt service fund	<u>(497,057)</u>
Total Uniform Guidance regulated Federal Expenditures	<u><u>\$ 869,501</u></u>

NOTE 5. INDIRECT COSTS

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

NOTE 6. GRANT AUDITOR REPORT

Management has utilized the Cash Management System (“CMS”) Grant Auditor Report in preparing the Schedule. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 7. PASS-THROUGH SUBRECIPIENTS

The District did not pass-through any federal award dollars to any subrecipients.

MANAGEMENT COMPLIANCE LETTERS



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

To the Board of Education
Bridgman Public School District
Bridgman, 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 Bridgman Public School District (the “District”), as of and for the year ended June 30, 2020, 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 19, 2020

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as 2020-001.

District’s Response to Finding

The District’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 19, 2020



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Bridgman Public School District
Bridgman, Michigan

Report on Compliance for Each Major Federal Program

We have audited Bridgman Public School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bridgman Public School District's major federal programs for the year ended June 30, 2020. Bridgman Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Bridgman Public School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-002, that we consider to be a material weakness.

Bridgman Public School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bridgman Public School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of the 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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 19, 2020