

L'ANSE AREA SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)

For the Year Ended June 30, 2021

L'ANSE AREA SCHOOLS

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
L'Anse Area Schools
L'Anse, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary fund of the L'Anse Area Schools ("District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 each fiduciary fund type of the L'Anse Area Schools as of June 30, 2021, and the respective changes in net position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise L'Anse Area Schools' 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is not a required part of the basic financial statements.

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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 26, 2021 on our consideration of L'Anse Area Schools' internal control over financial reporting and 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 the 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 L'Anse Area Schools' internal control over financial reporting and compliance.



ANDERSON, TACKMAN & COMPANY, PLC

Certified Public Accountants

Iron Mountain, Michigan

October 26, 2021

L'Anse Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

L'Anse Area Schools' Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position including its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board (GASB) Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" as amended by GASB Statement No. 63 "Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 68 and 75 Accounting and Financial Reporting for Pensions and Other Post-Employment Benefits, GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68", and GASB 84 "Fiduciary Activities", and is intended to provide the financial results for the fiscal year ending June 30, 2021.

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

Basic Financial Statements

District-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)
(Other than MD&A expanded)

As mentioned, GASB 34, as amended by GASB Statement No. 63 and 65, requires the presentation of two basic types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-Wide Financial Statements provide a perspective of the District as a whole. These financial statements use the full accrual basis of accounting similar to private sector companies. There are two District-Wide Financial Statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds: current financial resources (short-term available resources) (assets, liabilities, and deferred outflow/inflows of resources) with capital assets and long-term obligations, regardless of their current availability.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

L'Anse Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

The Fund Financial Statements are similar to financial presentations of years past but are focused on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounts. Under this basis of accounting, revenues are recorded when received, except when they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded

Fund Financial Statements

Fund types include the General Fund, Food Service Fund, Debt Retirement Fund, Capital Projects Fund, Sinking Fund, Student Activities, and Fiduciary Funds. The General Fund is used primarily to account for the general education requirements of the District. For fiscal year ending June 30, 2021 and 2020 Athletics is combined with General Fund. Its revenues are derived from property taxes, state and federal distributions and grants, and other intergovernmental revenues. The Food Service Fund is used to record food service revenues derived from local, state and federal sources and expenses associated with running the food service program. The Debt Retirement Fund is used to record the funding and payment of principal and interest on bonded debt. The Public Improvement is used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities. The Student Activities Funds account for assets held by the District as an agent for various student groups and related activities. The Fiduciary Funds account for assets held by the District in a trustee capacity for various student groups and related activities.

Summary of Net Position

	<u>June 30, 2021</u>	(As Reported) <u>June 30, 2020</u>
Assets:		
Current assets	\$ 4,449,187	\$ 3,994,504
Net capital assets	<u>6,797,127</u>	<u>6,947,135</u>
Total assets	<u>11,246,314</u>	<u>10,941,639</u>
Deferred pension and OPEB outflows	<u>3,243,752</u>	<u>3,973,127</u>
Liabilities:		
Current liabilities	1,234,711	1,902,485
Long term liabilities	<u>18,007,085</u>	<u>18,896,708</u>
Total liabilities	<u>19,241,796</u>	<u>20,799,193</u>
Deferred pension and OPEB inflows	<u>1,715,829</u>	<u>1,656,439</u>
Net Position:		
Invested in capital assets	3,182,599	2,810,624
Restricted	691,833	285,518
Unrestricted	<u>(10,341,991)</u>	<u>(10,637,008)</u>
Total Net Position	<u>\$ (6,467,559)</u>	<u>\$ (7,540,866)</u>

L'Anse Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

Financial Analysis of the District as a Whole

The School District's net position was \$(6,467,559) at June 30, 2021, compared to \$(7,540,866) at June 30, 2020. Total net position can be separated into three categories: invested in capital assets, restricted assets, and unrestricted assets.

Net capital assets are a combination of funds available for capital assets less accumulated depreciation and related debt. The original cost of capital assets was \$13,123,710 at June 30, 2021, and \$12,898,915 at June 30, 2020. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated use life of the assets. Total accumulated depreciation was \$6,326,583 at June 30, 2021, and \$5,951,782 at June 30, 2020. Total debt related to capital assets was \$3,614,528 at June 30, 2021, and \$4,117,784 at June 30, 2020.

Restricted assets by their nature are restricted for use by laws or regulations by the State of Michigan. These funds totaled \$691,833 at June 30, 2021, compared to \$285,518 at June 30, 2020.

The remaining balance of unrestricted assets represents a deficit balance of \$(10,341,991) at June 30, 2021, and \$(10,637,008) at June 30, 2020. The deficit balances are a result of GASB Statement No. 68, and GASB 75 effective for fiscal years beginning after June 15, 2014 and June 15, 2017 respectively. Additional information regarding GASB Statement No. 68 and 75 can be found in the audit report under Notes 8 and 9.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-Wide results of operations for the years ended June 30, 2021 and June 30, 2020 is as follows on the next page:

L'Anse Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

	<u>June 30, 2021</u>	<u>(As Reported)</u> <u>June 30, 2020</u>
Program revenue		
Charges for services - local and support	\$ 77,450	\$ 250,412
Operating grants - federal, state, and local	<u>1,631,815</u>	<u>2,183,803</u>
Total program revenue	<u>1,709,265</u>	<u>2,434,215</u>
General revenue		
Property taxes levied for general operations	1,876,528	1,868,022
State revenue sharing	4,547,429	3,492,941
Other - federal, state, and local	<u>999,176</u>	<u>286,187</u>
Total general revenue	<u>7,423,133</u>	<u>5,647,150</u>
Total revenue	<u>9,132,398</u>	<u>8,081,365</u>
Expenses		
Instruction	4,305,135	4,484,782
Support services	2,923,874	2,570,990
School services	382,862	618,830
Interest and fees on long term debt	72,419	125,664
Depreciation Expense	<u>374,801</u>	<u>362,379</u>
Total expenses	<u>8,059,091</u>	<u>8,162,645</u>
Change in net position	1,073,307	(81,280)
Net Position July 1	<u>(7,540,866)</u>	<u>(7,459,586)</u>
Net Position June 30	<u>\$ (6,467,559)</u>	<u>\$ (7,540,866)</u>

L'Anse Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The overall condition of the governmental funds has increased during June 30, 2021 and decreased during June 30, 2020. In the General Fund, the excess of revenues over expenditures totaled \$995,932 during fiscal year 2021, and the excess of expenditures over revenues totaled \$(81,280) during fiscal year 2020. The primary factors that contributed to the difference from fiscal year 2019 to fiscal year 2020 were increases in federal revenues.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments are known. The most significant fund budgeted is the General Fund operations. The General Fund operating budget was amended monthly during fiscal year 2021.

General Fund Operations

In the General Fund operations, the actual revenue for fiscal year June 30, 2021 was \$7,286,242. This is above the original budget of \$6,632,253 and below the final budget of 7,292,046 - a variance of .001%. The actual expenditures of the general fund for fiscal year June 30, 2021 operations were \$6,742,566. This is below the original budget of \$6,771,161 and below the final budget of \$6,864,970 - a variance of .002%.

GOVERNMENTAL FUND EXPENDITURES

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Total Expenditures June 30, 2021	Percentage	Total Expenditures June 30, 2020	Percentage
General Fund	\$ 6,742,566	85.43%	\$ 6,712,377	89.43%
Debt Service Fund	474,046	6.01%	81,117	1.08%
Capital Projects	227,434	2.88%	276,785	3.69%
Special Revenue	448,069	5.68%	435,610	5.80%
Total Expenditures	\$ 7,892,115	100.00%	\$ 7,505,889	100.00%

L'Anse Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

TOTAL REVENUES

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds.

	Total Revenue June 30, 2021	Percentage	Total Revenue June 30, 2020	Percentage
State revenue sharing	\$ 4,574,533	50.66%	\$ 4,584,243	56.66%
Prop taxes general operation	1,308,378	14.49%	1,782,002	22.02%
Operating grants federal, state, and local	1,631,815	18.07%	1,023,152	12.65%
Prop taxes debt retirement	424,598	4.70%	446,847	5.52%
Prop taxes sinking fund	143,552	1.59%	153,420	1.90%
Other local sources	325,010	3.60%	-	0.00%
Transfers in	621,256	6.88%	101,560	1.26%
Total Revenues	\$ 9,029,142	100.00%	\$ 8,091,224	100.00%

Unrestricted State Aid

The District is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have decreased due to property tax increases as compared to enrollment figures from the previous year. State aid blended membership was 593.63 for fiscal year June 30, 2021 and 605.58 for fiscal year June 30, 2020.

Property Taxes

The District levied 18 mills of property taxes on all Non-Homestead property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value.

The District levied 2.96 mills of property taxes on all classes of property located within the District for bonded debt retirement. The levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations.

The District levied 1.00 mills of property taxes on all classes of property located within the District for sinking fund projects. The levy is not subject to rollback provisions and is used to pay for projects allowable under the provisions of §1351a of the Revised School Code.

L'Anse Area Schools
 Management Discussion and Analysis
 For the Fiscal Year Ended June 30, 2021

Operating Grants Federal, State, and Local

The primary sources are the Federal Title I/II/IV-Part A Programs, the State funded At Risk Program and the Special Education Obligation funds required under the Headlee Amendment, State of Michigan legislation. Both Title I-Part A and At-Risk Programs assist students who are deemed to be at risk in the instruction process. For the 2020-2021 fiscal year, the District has utilized \$188,837 and \$278,401 for the Title I/II/IV-Part A and the State At-Risk programs. For fiscal year 2021 the State, under the Headlee amendment, is obligated to remit to the District \$15,424.

ENROLLMENT

The District's 2020-2021 State aid blended membership enrollments was 593.63. This is a decrease of 11.95 full-time equivalent students from the previous year. L'Anse Area Schools is located in Michigan's Upper Peninsula. The area has experienced economic downturn in previous years and has remained stagnant. As a result of this, more families are leaving the area. The county continues to experience declining birth rates from previous years. The decrease in enrollment is due to families moving out of the area and school of choice.

Enrollment changes over the last ten years can be illustrated as follows:

Fiscal <u>Year</u>	Student Enrollment <u>(FTE)</u>	Increase (Decrease) in Student <u>Membership (FTE)</u>
2021	582	(24)
2020	606	(16)
2019	622	(17)
2018	639	(14)
2017	653	(11)
2016	664	(10)
2015	674	(21)
2014	695	(23)
2013	718	(17)
2012	735	(9)

Student enrollment is important to the financial health of the District because state funding is based on a per pupil formula.

L'Anse Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2021, the District had \$13,123,710 invested in land and building, furniture and equipment, vehicles and buses compared to \$12,898,915 at June 30, 2021. Of this amount, \$6,326,583 and \$5,951,782 has been depreciated at June 30, 2021 and June 30, 2020 respectively. Net book value totaled \$6,797,127 at June 30, 2021, and \$6,947,133 at June 30, 2020. Due to budget constraints related to the State of Michigan financial status, the ability to maintain these buildings is becoming increasingly difficult. The millage approved by taxpayers for the Sinking Fund has helped with the difficulty of maintaining buildings and technology in the District. The District maintains a \$3,000 threshold for capitalization of assets.

Outstanding Debt at Year End

As of June 30, 2021, the District had \$3,614,528 in bonds outstanding, compared to \$4,117,784 at June 30, 2020. The District collects bonded debt across the total property values. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional bond debt.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of the L'Anse Area Schools. For additional detailed financial information contact:

Theresa Bianco
Business Manager
L'Anse Area Schools
201 North 4th Street
L'Anse, MI 49946
Office Telephone (906) 524-6000

L'ANSE AREA SCHOOLS
STATEMENT OF NET POSITION

June 30, 2021

	Governmental Activities
ASSETS:	
Current assets:	
Cash and equivalents	\$ 1,596,238
Investments	1,568,288
Accounts receivable	16,731
Inventory	8,710
Prepaid expenses	155,429
Due from other governments	1,103,791
Total current assets	4,449,187
Noncurrent assets:	
Capital assets	13,123,710
Accumulated depreciation	(6,326,583)
Total noncurrent assets	6,797,127
TOTAL ASSETS	11,246,314
DEFERRED OUTFLOWS OF RESOURCES:	
Pension outflows	2,477,996
Other post employment benefits outflows	765,756
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,243,752
LIABILITIES:	
Current liabilities:	
Accounts payable	25,993
Accrued interest	17,100
Accrued expenses	518,380
Unearned revenues	153,785
Bonds payable	519,453
Total current liabilities	1,234,711
Noncurrent liabilities:	
Compensated absences	158,460
Bonds payable	3,095,075
Net other post employment benefits liability	1,969,133
Net pension liability	12,784,417
Total noncurrent liabilities	18,007,085
TOTAL LIABILITIES	19,241,796
DEFERRED INFLOWS OF RESOURCES:	
Pension inflows	123,156
Other post employment benefits inflows	1,592,673
TOTAL DEFERRED INFLOWS OF RESOURCES	1,715,829
NET POSITION:	
Net investment in capital assets	3,182,599
Restricted	691,833
Unrestricted	(10,341,991)
TOTAL NET POSITION	\$ (6,467,559)

The accompanying notes to the financial statements are an integral part of this statement.





L'ANSE AREA SCHOOLS
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Program Revenue			Net (Expense) Revenue and Change in Net Position
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT:				
Governmental Activities:				
Instruction	\$ (4,305,135)	\$ 1,035,801	\$ -	(3,269,334)
Support	(2,923,874)	173,236	-	(2,750,638)
School service	(382,862)	422,778	-	117,366
Depreciation	(374,801)	-	-	(374,801)
Debt interest, fees and expenses	(72,419)	-	-	(72,419)
TOTAL PRIMARY GOVERNMENT	(8,059,091)	1,631,815	-	(6,349,826)
General revenues:				
Property taxes				\$ 1,876,528
State revenue sharing				4,547,429
Unrestricted investment earnings				2,333
Other				996,843
Total general revenues and transfers				7,423,133
Change in net position				1,073,307
Net position, beginning of year				(7,540,866)
Net position, end of year				\$ (6,467,559)

L'ANSE AREA SCHOOLS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2021

	<u>General</u>	<u>Debt Service</u>
ASSETS:		
Cash and equivalents	\$ 904,405	\$ 169,987
Investments	1,568,288	-
Accounts receivable	-	15,695
Inventory	-	-
Prepaid expenses	155,428	-
Due from other funds	28,918	-
Due from other governments	1,072,530	-
TOTAL ASSETS	<u>\$ 3,729,569</u>	<u>\$ 185,682</u>
LIABILITIES:		
Accounts payable	\$ 26,022	\$ -
Due to other funds	-	-
Accrued expenses	179,225	-
Salaries payable and related items	329,338	-
Unearned revenue	153,785	-
TOTAL LIABILITIES	<u>688,370</u>	<u>-</u>
FUND BALANCE AND OTHER CREDITS:		
Fund balances:		
Restricted	-	185,682
Nonspendable	-	-
Unassigned	3,041,199	-
TOTAL FUND BALANCE AND OTHER CREDITS	<u>3,041,199</u>	<u>185,682</u>
TOTAL LIABILITIES, FUND BALANCE AND OTHER	<u>\$ 3,729,569</u>	<u>\$ 185,682</u>

The accompanying notes to the financial statements are an integral part of this statement.



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



Debt Service	Capital Projects		Special Revenue	
	Sinking Fund	Capital Projects	Food Service	Student Activities
\$ 169,987	\$ 122,690	\$ 243,291	\$ 109,824	\$ 46,041
-	-	-	-	-
15,695	687	-	349	-
-	-	-	8,710	-
-	-	-	-	-
-	-	-	-	-
-	-	-	31,261	-
<u>\$ 185,682</u>	<u>\$ 123,377</u>	<u>\$ 243,291</u>	<u>\$ 150,144</u>	<u>\$ 46,041</u>
\$ -	\$ -	\$ -	\$ (29)	\$ -
-	-	-	28,918	-
-	-	-	-	-
-	-	-	9,816	-
-	-	-	-	-
-	-	-	38,705	-
185,682	123,377	243,291	102,729	46,041
-	-	-	8,710	-
-	-	-	-	-
<u>185,682</u>	<u>123,377</u>	<u>243,291</u>	<u>111,439</u>	<u>46,041</u>
<u>\$ 185,682</u>	<u>\$ 123,377</u>	<u>\$ 243,291</u>	<u>\$ 150,144</u>	<u>\$ 46,041</u>

The accompanying notes to the financial statements are an integral part of this statement.

L'ANSE AREA SCHOOLS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

For the Year Ended June 30, 2021

Total fund balances for governmental funds \$ 3,751,029

Total net position reported for governmental activities in the statement of net position is different because:

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

Total capital assets	\$ 13,123,710	
Accumulated depreciation	<u>(6,326,583)</u>	
Net capital assets		6,797,127

Deferred outflows of resources and deferred inflows of resources related to pensions (including other post employment benefits - OPEB) are not financial resources and therefore are not reported in the funds. Those resources consist of:

Deferred outflows of pension and OPEB resources	3,243,752	
Deferred inflows of pension and OPEB resources	<u>(1,715,829)</u>	
Net deferred pension sources		1,527,923

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Accrued interest on long-term debt		(17,100)
Bonds payable	(3,614,528)	
Compensated absences	(158,460)	
Net OPEB liability	(1,969,133)	
Net pension liability	<u>(12,784,417)</u>	<u>(18,526,538)</u>
Total net position of governmental activities		<u>\$ (6,467,559)</u>



L'ANSE AREA SCHOOLS

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2021

REVENUES:	<u>General</u>	<u>Debt Service</u>
Local sources	\$ 1,511,702	\$ 477,271
State sources	4,565,503	-
Federal sources	1,209,037	-
TOTAL REVENUES	<u>7,286,242</u>	<u>477,271</u>
EXPENDITURES:		
Instruction:		
Current	4,079,861	-
Supporting services:		
Current	2,507,024	-
Capital outlay	18,367	-
Debt service	-	474,046
School service activities	137,314	-
TOTAL EXPENDITURES	<u>6,742,566</u>	<u>474,046</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>543,676</u>	<u>3,225</u>
OTHER FINANCING SOURCES (USES):		
Payments received from other governmental units	101,799	-
Transfers in	-	-
Other sources	487,943	31,514
Transfers out	(137,486)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>452,256</u>	<u>31,514</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	995,932	34,739
FUND BALANCE, JULY 1	<u>2,045,267</u>	<u>150,943</u>
FUND BALANCE, JUNE 30	<u>\$ 3,041,199</u>	<u>\$ 185,682</u>

The accompanying notes to the financial statements are an integral part of this statement.



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

Capital Projects		Special Revenue		Total Governmental Funds
Sinking Fund	Capital Projects	Food Service	Student Activities	
\$ 148,260	\$ 415	\$ 28,931	\$ 34,959	\$ 2,201,538
-	-	9,030	-	4,574,533
-	-	422,778	-	1,631,815
<u>148,260</u>	<u>415</u>	<u>460,739</u>	<u>34,959</u>	<u>8,407,886</u>
-	-	-	-	4,079,861
-	-	-	-	2,507,024
42,920	184,514	-	-	245,801
-	-	-	-	474,046
-	-	416,826	31,243	585,383
<u>42,920</u>	<u>184,514</u>	<u>416,826</u>	<u>31,243</u>	<u>7,892,115</u>
<u>105,340</u>	<u>(184,099)</u>	<u>43,913</u>	<u>3,716</u>	<u>515,771</u>
-	-	-	-	101,799
-	128,000	9,486	-	137,486
-	-	-	-	519,457
-	-	-	-	(137,486)
<u>-</u>	<u>128,000</u>	<u>9,486</u>	<u>-</u>	<u>621,256</u>
105,340	(56,099)	53,399	3,716	1,137,027
<u>18,037</u>	<u>299,390</u>	<u>58,040</u>	<u>42,325</u>	<u>2,614,002</u>
<u>\$ 123,377</u>	<u>\$ 243,291</u>	<u>\$ 111,439</u>	<u>\$ 46,041</u>	<u>\$ 3,751,029</u>

The accompanying notes to the financial statements are an integral part of this statement.

L'ANSE AREA SCHOOLS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

For the Year Ended June 30, 2021

Net changes in fund balances - total governmental funds \$ 1,137,027

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$374,801) exceeded capital outlay \$224,793 net of deletions. (150,008)

The change in net deferred outflow/inflows and pension and OPEB liability is not recorded in the governmental funds. However, in the statement of activities this change is recognized as an adjustment to instruction, support and community service expenses as it relates to (445,440)

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal repayments: 503,256
 Bond principal

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences 26,845
Accrued interest 1,627

Changes in net position of governmental activities \$ 1,073,307



L'ANSE AREA SCHOOLS

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2021

	<u>Expendable Trust Fund</u>
	<u>Scholarships</u>
ASSETS:	
Cash & Investments	\$ 243,588
TOTAL ASSETS	243,588
LIABILITIES:	
Due to student groups	<u>241,371</u>
NET POSITION:	
Reserved	<u>\$ 2,217</u>

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

L'ANSE AREA SCHOOLS

**CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

For the Year Ended June 30, 2021

	<u>Expendable Trust Fund Scholarships</u>
ADDITIONS:	
Interest and contributions	<u>\$ 35,542</u>
TOTAL ADDITIONS	<u>35,542</u>
DEDUCTIONS:	
Scholarships / Charges	<u>111,336</u>
TOTAL DEDUCTIONS	<u>111,336</u>
Change in net position	(75,794)
NET POSITION:	
BEGINNING OF YEAR	<u>78,011</u>
NET POSITION:	
END OF YEAR	<u>\$ 2,217</u>

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the L'Anse Area Schools ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the statement include the following:

A Management's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the District's activities.

A change in the fund financial statements to focus on the major funds.

Effective for periods beginning after December 15, 2011, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods after December 15, 2012, GASB 65, *Items Previously Reported as Assets and Liabilities*, amends Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and effective for periods beginning after June 15, 2015, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Statement No. 63 and No. 65 establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Statements No. 68, 71 and 75 establish standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense/expenditures for defined benefit pension plans and Other Post-Employment Benefits. Effective for periods beginning after December 15, 2019, GASB Statement No. 84, *Fiduciary Activities* establishes standards for reporting fiduciary activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the provisions of the Statements.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement No. 14, *The Financial Reporting Entity* and as amended by GASB Statement No. 61.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Based on the foregoing criteria, it has been determined that there are no component units of the L'Anse Area Schools.

B. Basic Financial Statements – Government-Wide Statements

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

In the government-wide Statement of Net Position, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted.

The District first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.).

The District does allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

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

C. Pension

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



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basic Financial Statements – Fund Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:

Governmental Funds – Governmental funds are used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except for those accounted for in fiduciary funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial transactions of the District, except those required to be accounted for in other funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses the Special Revenue Fund to account for the L'Anse Area Schools' activity.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds – Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Fiduciary Funds – Fiduciary Fund types are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has one Fiduciary Fund, the Scholarship Trust Fund.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basic Financial Statements – Fund Financial Statements (Continued)

Account Groups – Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The following are the District's account groups:

General Fixed Assets – This group of accounts was established to account for all general fixed assets of the District.

General Long-Term Obligations – This group of accounts has been established to account for unmatured general long-term obligations and certain other liabilities of the District not expected to be liquidated through the use of available expendable financial resources.

E. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. The governmental-wide statement uses the economic resources measurement focus.

Accrual

Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after the year end. A one-year period is used for revenue recognition for all other governmental fund revenues. Those revenues prone to accrual are property taxes, federal aid, interest-revenue, and charges for services.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

State Foundation Revenue - For the fiscal year ended June 30, 2021, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. In previous years, the state utilized a district power equalizing approach. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2021, the foundation allowance was based on 10% of the pupil membership count taken in February of 2020 and 90% taken in October of 2020.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

F. Cash and Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.

G. Interfund Balances and Transfers

The current portion of lending/borrowing arrangements between funds are identified as "due to/from other funds". The non-current portion of outstanding balances between funds are reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Transfers represent a flow of assets without equivalent flows of assets in return or a requirement for repayment.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value. Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

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

The District has adopted a capitalization policy of \$3,000.

J. Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

K. Compensated Absences

Amounts representing accumulated vacation and personal leave expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Property Taxes

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

The District, along with certain other governmental units, is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2021, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund Mills</u>	
General Fund - Non-Homestead	18.00
Debt Retirement	2.96
Capital Projects	1.00

M. Unemployment Insurance

The District reimburses the Unemployment Insurance Agency (UIA) for the actual amount of unemployment benefits disbursed by the UIA on behalf of the District. Billings received for amounts paid by the UIA through June 30 are accrued.

N. Fund Balance

Nonspendable fund balances represent amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The restricted fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Committed fund balance, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision-making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify, or rescind a fund balance commitment. Assigned fund balances represent amounts set aside by the governing body for specific purposes, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Manager under the authorization of the Board of Education. The unassigned fund balances for governmental funds represent the amount available for budgeting future operations.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end. The District follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - all governmental fund types.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1st, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget, or in excess of the amount appropriated. Any material expenditures in violation of the budgeting act are disclosed in the footnotes.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved on 6/21/2021.

The budget for the year ended June 30, 2021 was adopted on June 22, 2020 and formally amended at each monthly board of education meeting.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplementary Information.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 26, 2021, which is the date the financial statements were available to be issued.

Q. Other Post-Employment Benefits:

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

NOTE 2 - CASH AND INVESTMENTS

Cash and Equivalents

The District's cash and equivalents, as reported in the Statement of Net Position, consisted of the following:

Checking accounts	\$ 892,447
Savings accounts	<u>703,791</u>
TOTAL	<u>\$ 1,596,238</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require, and the District does not have, a policy for deposit custodial credit risk. As of June 30, 2021, the District held cash and equivalents in the amount of \$1,654,496, of which \$750,00 was insured through the FDIC and \$904,496 was uninsured and uncollateralized.

Investments

MILAF	<u>\$1,568,288</u>
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The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan School districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2021, the fair value of the District's investments is the same as the value of the pool shares.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to fair value disclosures.

Michigan statues authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Investments are recorded at fair market value, which is based on quoted market prices.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments are not subject to interest rate risk.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021 follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<i>Assets not subject to depreciation</i>				
Land	\$ 89,510	\$ -	\$ -	\$ 89,510
<i>Assets subject to depreciation</i>				
Land improvements	1,730,412	70,000	-	1,800,412
Buildings & improvements	9,657,146	141,516	-	9,798,662
Equipment & vehicles	1,313,702	13,279	-	1,326,981
Other assets	<u>108,145</u>	<u>-</u>	<u>-</u>	<u>108,145</u>
TOTALS	12,898,915	<u>\$ 224,795</u>	<u>\$ -</u>	13,123,710
Accumulated depreciation	<u>(5,951,782)</u>	<u>\$ (374,801)</u>	<u>\$ -</u>	<u>(6,326,583)</u>
Net capital assets	<u>\$ 6,947,133</u>			<u>\$ 6,797,127</u>



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 3 - CAPITAL ASSETS (Continued)

Depreciation for the year ended June 30, 2021 amounts to \$374,801. The District determined that it was impractical to allocate depreciation to various government activities as the assets serve multiple functions.

NOTE 4 - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2021 are as follows:

<u>Fund</u>	<u>Inter-Fund Receivable</u>	<u>Fund</u>	<u>Inter-Fund Payable</u>
Food service fund	<u>\$ 29,818</u>	General fund	<u>\$ 29,818</u>
<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Food service fund	\$ 9,486	General fund	\$ 137,486
Capital projects fund	<u>128,000</u>		
Total	<u>\$ 137,486</u>		<u>\$ 137,486</u>

NOTE 5 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2021 are comprised of the following amounts:

1. 2016 Refunding Bonds due in annual installments ranging from \$400,000 - \$435,000 through May 1, 2027 with interest of 2.00% - 2.50%.	\$ 2,995,000
2. 2011 School Improvement Bonds due in annual installments ranging from \$143,369 - \$146,629 through May 1, 2026 with interest of 5.55%.	619,528
3. Vested sick and vacation pay	158,460
4. Net pension liability	12,784,417
5. Net OPEB liability	<u>1,969,133</u>
Total Long-Term Obligations	<u>\$ 18,526,538</u>



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 6 - BONDS AND NOTES PAYABLE

During the year ended June 30, 2021, the following changes occurred in long-term obligations:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Amounts Due Within One Year
General Obligation Bonds	\$ 4,117,784	\$ -	\$ (503,256)	\$ 3,614,528	\$ 519,453
Employee Benefits:					
Vested Sick and Vacation	185,305	-	(26,845)	158,460	-
Net Pension Liability	12,377,824	406,593	-	12,784,417	-
Net OPEB Liability	<u>2,719,051</u>	<u>-</u>	<u>(749,918)</u>	<u>1,969,133</u>	<u>-</u>
TOTALS	<u>\$ 19,399,964</u>	<u>\$ 406,593</u>	<u>\$ (1,280,019)</u>	<u>\$ 18,526,538</u>	<u>\$ 519,453</u>

The annual requirements to amortize long-term obligations outstanding as of June 30, 2021 are as follows:

Year Ended June 30	Bond Issues and Installment Notes	Teachers Vested Sick and Vacation	Pension & OPEB Liability	Total
	Principal	Interest		
2022	\$ 519,453	\$ 94,284	\$ -	\$ 613,737
2023	530,907	80,009	-	610,916
2024	548,625	65,276	-	613,901
2025	566,625	49,915	-	616,540
2026	578,918	33,910	-	612,828
Thereafter	<u>870,000</u>	<u>28,276</u>	<u>158,460</u>	<u>14,753,550</u>
TOTALS	<u>\$ 3,614,528</u>	<u>\$ 351,670</u>	<u>\$ 158,460</u>	<u>\$ 14,753,550</u>
			<u>\$ 18,878,208</u>	

Interest expense for the year ended June 30, 2021 was \$112,365.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 7 - FUND BALANCES

Portions of fund balances are restricted, non-spendable, or assigned and not available for general purposes other than fund usage as follows:

Debt Service – Restricted for debt service	<u>\$185,682</u>
Food Service – Non-spendable inventory	<u>\$8,710</u>
Restricted for food service	<u>\$102,729</u>
Capital Projects – Restricted for capital improvements	<u>\$366,668</u>
Student Activities – Restricted for student activities	<u>\$46,041</u>

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description

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

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

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

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided

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



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (CONTINUED)

Benefits Provided (continued)

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

Contributions

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

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

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

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

Required contributions to the pension plan from the District were \$1,022,769 for the year ended September 30, 2020.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

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

At June 30, 2021, the District reported a liability of \$12,784,417 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the District's proportion was .03721692 percent, which was an increase of .00016308 percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$1,463,208. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$195,335	\$27,286
Changes of Assumptions	1,416,637	-
Net difference between projected and actual earnings on pension plan investments	53,714	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	21,835	95,870
Employer contributions subsequent to the measurement date	790,475	-
Total	<u>\$2,477,996</u>	<u>\$123,156</u>



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

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

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as reported in the table on the following page:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
Year Ending September 30	Amount
2021	\$1,501,113
2022	\$502,139
2023	\$270,392
2024	\$81,196

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows on the next page.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Actuarial Assumptions (Continued)

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	6.80% net of investment expenses
- Pension Plus Plan:	6.80% net of investment expenses
- Pension Plus 2 Plan:	6.0% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Summary of Actuarial Assumptions (Continued)

Notes:

- *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892 for non-university employers*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.6%
% Alternative Investment Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return / Opportunistic Pools	12.5	6.5
Short Term Investment Pools	2.0	0.1
TOTAL	100.0%	

**Long term rate of return does not include 2.3% inflation*



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Rate of Return

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

Discount Rate

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

1% Decrease 5.80% / 5.80% / 5.0%	Current Single Discount Rate Assumption 6.80% / 6.80% / 6.0%	1% Increase 7.80% / 7.80% / 7.0%
\$16,547,259	\$12,784,417	\$9,665,859

** Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.*

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR; available on the ORS website at www.michigan.gov/orsschools.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

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

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

The System's financial statements are available at www.michigan.gov/orsschools

Benefits Provided

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

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



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

. Benefits Provided (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 were deposited into their 401(k) account.

Contributions

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

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

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

OPEB Contribution Rates			
Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.57%	8.09%
Personal Healthcare Fund (PHF)	0.00%	5.99%	7.57%

Required contributions to the OPEB plan from the District were \$259,692 for the year ended September 30, 2020.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

At June 30, 2021, the District reported a liability of \$1,969,133 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the District's proportion was .03675629 percent, which was an increase of .00112371 percent from its proportion measured as of September 20, 2019.

For the year ending June 30, 2021, the District recognized OPEB expense of \$46,969. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$-	\$1,467,188
Changes of Assumptions	\$649,262	\$-
Net difference between projected and actual earnings on OPEB plan investments	\$16,435	\$-
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$57,626	\$125,485
Employer contributions subsequent to the measurement date	\$42,433	\$-
Total	<u>\$765,756</u>	<u>\$1,592,673</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense follows on the next page.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

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

2021	\$(193,418)
2022	\$(212,877)
2023	\$(170,487)
2024	\$(132,350)
2025	\$(117,785)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions (Continued)

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:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:		
	Opt-Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
	Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
	Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018 for non-university employers*
- *Recognition period for assets in years is 5.0000*

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



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021
(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Discount Rate

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$2,529,575	\$1,969,133	\$1,497,287

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$1,479,221	\$1,969,133	\$2,526,346



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 10 – 403(b) RETIREMENT PLAN

The District has a 403(b) plan which is a qualified tax sheltered annuity plan for the benefit of eligible employees. The plan itself is administered by the District with a plan year ending December 31. Participants can invest in annuity contracts or custodial accounts which invest in mutual funds. The District is not required to make contributions. Distributions are governed by IRS regulations.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participated in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 12 - USE OF ESTIMATES

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

NOTE 13 - SIGNIFICANT ESTIMATES

Included in Notes 8 & 9 is a summary of the employee retirement plan and OPEB provisions and actuarial assumptions. The actuarial assumptions are very critical to the computation of the actuarial determined liabilities of the plan. If the assumptions differ from actual results annual contributions to the defined benefit plan and OPEB can substantially change.



L'ANSE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(Continued)

NOTE 14 – SINKING FUND COMPLIANCE

The Capital Project Fund includes activities funded with sinking fund millage. For this fund, the District has complied with the applicable provisions of Michigan Compiled Law Section 380.121(1) and the State of Michigan Department of Treasury Letter No. 2004-4.

NOTE 15 – SUBSEQUENT EVENTS

The COVID-19 pandemic has continues to cause business interruptions. Measures taken by various governments to contain the virus have affected economic activity. The District has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our teachers and students (such as social distancing and remote learning).

At this stage, the impact on the District has not been significant and based on our experience to date, we expect this to remain the case. As the District operates in state funded education, we have experienced increased grants provided to the District. The District will continue to follow the various government policies and advice and will continue to operate in the best and safest way possible without jeopardizing the health of the staff and students.





**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

REQUIRED SUPPLEMENTARY INFORMATION

L'ANSE AREA SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis) (See Note 1)
	Original	Final	
REVENUES:			
Local sources	\$ 1,547,820	\$ 1,526,449	\$ 1,511,702
State sources	4,285,035	4,547,226	4,565,503
Federal sources	799,398	1,218,371	1,209,037
TOTAL REVENUES	6,632,253	7,292,046	7,286,242
EXPENDITURES:			
Instruction	4,216,645	4,114,621	4,079,861
Supporting services	2,416,530	2,606,276	2,525,391
School service activities	137,986	144,073	137,314
TOTAL EXPENDITURES	6,771,161	6,864,970	6,742,566
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(138,908)	427,076	543,676
OTHER FINANCING SOURCES (USES):			
Payments received from other governmental units	105,900	115,829	101,799
Other sources	-	-	487,943
Transfers out	(214,407)	(362,851)	(137,486)
TOTAL OTHER FINANCING SOURCES (USES)	(108,507)	(247,022)	452,256
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(247,415)	180,054	995,932
FUND BALANCE, JULY 1	2,045,267	2,045,267	2,045,267
FUND BALANCE, JUNE 30	\$ 1,797,852	\$ 2,225,321	\$ 3,041,199

The accompanying notes to the financial statements are an integral part of this statement.





L'ANSE AREA SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (Amounts were determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. Reporting unit's proportion of net pension liability (%)	0.03722%	0.03738%	0.03724%	0.03792%	0.03781%	0.03713%	0.03781%	0.03713%	0.03690%	0.03690%
B. Reporting unit's proportionate share of net pension liability	\$ 12,784,417	\$ 12,377,824	\$ 11,195,765	\$ 9,826,389	\$ 9,432,565	\$ 9,068,797	\$ 8,128,491	\$ 8,128,491	\$ 8,128,491	\$ 8,128,491
C. Reporting unit's covered-employee payroll	\$ 3,291,898	\$ 3,326,705	\$ 3,153,197	\$ 3,162,801	\$ 3,235,317	\$ 3,111,250	\$ 3,127,398	\$ 3,111,250	\$ 3,111,250	\$ 3,127,398
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	388.36%	372.07%	355.06%	310.69%	291.55%	291.48%	259.91%	291.48%	291.48%	259.91%
E. Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	63.17%	63.17%	66.20%

The accompanying notes to the financial statements are an integral part of this statement.



L'ANSE AREA SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**

LAST 10 FISCAL YEARS (Amounts were determined as of 6/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions				\$ 1,022,769	\$ 603,366	\$ 579,764	\$ 554,084	\$ 591,219	\$ 613,863	\$ 677,815
B. Contributions in relation to statutorily required contributions*				\$ 1,022,769	\$ 603,366	\$ 579,764	\$ 554,084	\$ 591,219	\$ 613,863	\$ 677,815
C. Contribution deficiency (excess)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Reporting unit's covered-employee payroll				\$ 3,291,898	\$ 3,276,936	\$ 3,298,109	\$ 3,161,330	\$ 3,163,386	\$ 3,235,596	\$ 3,094,281
E. Contributions as a percentage of covered-employee payroll				31.07%	18.41%	17.58%	17.53%	18.69%	18.97%	21.91%

* Contributions in relation to statutorily required contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.



L'ANSE AREA SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

LAST 10 FISCAL YEARS (Amounts were determined as of 9/30 of each fiscal year)

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
A. Reporting unit's proportionate share of net OPEB liability (%)				0.03788%	0.03676%	0.03695%	0.0380%			
B. Reporting unit's proportionate share of net OPEB liability				\$ 1,969,133	\$ 2,719,051	\$ 2,936,927	\$ 3,364,475			
C. Reporting unit's covered-employee payroll				\$ 3,291,898	\$ 3,326,705	\$ 3,153,197	\$ 3,162,801			
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)		59.82%	81.73%	93.14%	106.38%					
E. Plan fiduciary net position as a percentage of total OPEB liability		59.44%	48.46%	42.95%	36.39%					

The accompanying notes to the financial statements are an integral part of this statement.



L'ANSE AREA SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**

LAST 10 FISCAL YEARS (Amounts were determined as of 6/30 of each fiscal year)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2018</u>
A. Statutorily required OPEB contributions	\$	259,692	\$	261,349	\$	259,692	\$	261,349	\$	257,384	\$	234,553
B. OPEB contributions in relation to statutorily required contributions*	\$	259,692	\$	261,349	\$	259,692	\$	261,349	\$	257,384	\$	234,553
C. Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
D. Reporting unit's covered-employee payroll	\$	3,291,898	\$	3,276,936	\$	3,291,898	\$	3,298,109	\$	3,161,330	\$	3,161,330
E. OPEB contributions as a percentage of covered-employee payroll		7.89%		7.98%		7.89%		7.80%		7.80%		7.42%

* Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plans, as distinct from the statutorily required contributions.



L'ANSE AREA SCHOOLS
FEDERAL SINGLE AUDIT REPORTS
For the Year Ended June 30, 2021

L'ANSE AREA SCHOOLS

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

Board of Education
L'Anse Area Schools
Houghton, Michigan

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered L'Anse Area Schools' 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 L'Anse Area Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of L'Anse Area Schools' 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. We consider the following deficiency in L'Anse Area Schools' internal control to be a material weakness as described in the accompanying schedule of findings and questioned costs as item 2021-001.

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. We consider the following deficiency in L'Anse Area Schools' internal control to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2021-002.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given the 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
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(Continued)**

L'Anse Area Schools Response to Findings

L'Anse Area Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. L'Anse Area Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the L'Anse Area Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.


ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

October 26, 2021



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

Board of Education
L'Anse Area Schools
Houghton, Michigan

Report on Compliance for Each Major Federal Program

We have audited L'Anse Area Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of L'Anse Area Schools' major federal programs for the year ended June 30, 2021. L'Anse Area Schools' 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 L'Anse Area Schools' 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 L'Anse Area Schools' 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 L'Anse Area Schools' compliance.

Opinion on Each Major Federal Program

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



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

Report on Internal Control Over Compliance

Management of L'Anse Area Schools 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 L'Anse Area Schools' 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 L'Anse Area Schools' internal control over compliance.

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

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

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

Anderson Tackman & Co. PLLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

October 26, 2021





L'ANSE-AU-LAC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2020		Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	June 30, 2021 Accrued / (Deferred) Revenue
			Accrued Receivable	Deferred Revenue				
GENERAL FUND								
US Department of Education								
Indian Education - E-T003E000999	84-003E	\$ 483,500	\$ -	\$ 642	\$ 482,858	\$ -	\$ -	\$ (642)
Title VII - S060A040658	84-060A	43,244	7,819	-	43,244	-	7,819	-
Title VII - S060A200658	84-060A	49,687	-	-	-	41,147	22,844	18,303
Office of School Support & Technology Programs	99 U01	35,915	-	-	-	35,915	35,915	-
Small Rural Achievement Grant - REAP	84-358A	21,274	-	-	-	21,274	21,274	-
Impact Aid	84-041	433,089	-	-	-	433,089	433,089	-
TOTAL US DEPARTMENT OF EDUCATION		1,066,709	7,819	642	526,102	531,425	520,941	17,661
Passed Through Michigan Department of Education:								
Title I, Part A - 201530-1920	84-010	\$ 146,236	\$ 48,480	\$ -	\$ 130,426	\$ -	\$ 48,480	\$ -
Title I, Part A - 211530-2021	84-010	157,196	-	-	-	155,456	103,584	51,872
		303,432	48,480	-	130,426	155,456	152,064	51,872
Title II, Part A - 200520-1920	84-367	36,521	9,462	-	20,601	-	9,462	-
Title II, Part A - 210520-2021	84-367	42,730	-	-	-	31,377	23,721	7,656
		79,251	9,462	-	20,601	31,377	33,183	7,656
Title IV, Part A - 200750-2020	84-424	10,000	1,703	-	1,703	-	1,703	-
Title IV, Part A - 210750-2021	84-424	20,671	-	-	-	2,004	-	2,004
		30,671	1,703	-	1,703	2,004	1,703	2,004
Governor's Emergency Education Relief Fund - 201200-2021	84-425	39,844	-	-	-	39,844	35,456	4,388
Governor's Emergency Education Relief Fund - 203710-1920	84-425	116,715	-	-	-	98,839	92,362	6,477
		368,892	-	-	-	138,683	127,818	10,865
11p Coronavirus Relief Funds	21-019	211,953	-	-	-	211,953	211,953	-
103(2) District COVID Costs	21-019	7,461	-	-	-	7,461	7,461	-
McConnect Connectivity Project	21-019	25,170	-	-	-	25,170	25,170	-
		244,584	-	-	-	244,584	244,584	-
TOTAL MICHIGAN DEPARTMENT OF EDUCATION		1,026,830	59,645	-	152,730	572,104	559,352	72,397
TOTAL US DEPARTMENT OF EDUCATION		\$ 2,093,539	\$ 67,464	\$ 642	\$ 678,832	\$ 1,103,529	\$ 1,080,293	\$ 90,058
US Department of Agriculture								
Passed Through Houghton County Ottawa National Forest	10.665	\$ 105,508	\$ -	\$ -	\$ -	\$ 105,508	\$ 105,508	\$ -
Ottawa National Forest								
TOTAL US DEPARTMENT OF Agriculture and General Fund		\$ 2,199,047	\$ 67,464	\$ 642	\$ 678,832	\$ 1,209,037	\$ 1,185,801	\$ 90,058

The accompanying notes to the financial statements are an integral part of this statement.



L'ANSE AREA SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2020		Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	June 30, 2021 Accrued / (Deferred) Revenue
			Accrued Receivable	Deferred Revenue				
<u>FOOD SERVICE FUND</u>								
Flow Through - Michigan Department of Education								
U.S. Department of Agriculture Summer Food Service Program For Children 20/21	10.559	374,526	-	-	-	403,744	374,526	29,218
Entitlement Commodities (Food Distribution)	10.565	19,034	-	-	-	19,034	19,034	-
		393,560	-	-	-	422,778	393,560	29,218
TOTAL MICHIGN DEPARTMENT OF EDUCATION, US DEPARTMENT OF AGRICULTURE, AND FOOD SERVICE FUND		\$ 393,560	\$ -	\$ -	\$ -	\$ 422,778	\$ 393,560	\$ 29,218
TOTAL FEDERAL AWARDS		\$ 2,592,607	\$ 67,464	\$ 642	\$ 678,832	\$ 1,631,815	\$ 1,579,361	\$ 119,276

The accompanying notes to the financial statements are an integral part of this statement.

L'ANSE AREA SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the L'Anse Area Schools' federal award programs and presents transactions that are included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

NOTE 2 - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule using Recipient Entitlement Balance Report and other district records. Spoilage of pilferage, if any, is included in expenditures.

NOTE 3 - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports.



L'ANSE AREA SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

Financial Statement

Type of auditor's 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 weaknesses? Yes No

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 weaknesses? Yes No

Type of auditor's report issued on compliance for major programs:

Impact Aid: Unmodified

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

Identification of major programs:

CFDA

Name of Federal Program or Cluster

84.041

Impact Aid, Title VII

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

Auditee qualified as low risk auditee? Yes No



L'ANSE AREA SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

(Continued)

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

Finding 2021-001

Reportable Condition:

During the review of deferred revenue, it was noted four revenue items had been deferred incorrectly for several years. This resulted in a material journal entry being required to correct the financial statements.

Criteria:

The Michigan Department of Treasury and Education requires the District to have effective internal controls and accountability must be maintained for all funds. To ensure effectiveness of internal control, adequate procedures should exist among those who perform accounting procedures and internal control activities over the financial records of the District. Internal control procedures should be such that there is a reduced risk of omissions and misstatements would be prevented or detected timely.

Condition:

The District lacked adequate controls over financial reporting.

Questioned Costs:

\$669,552

Effect:

With adequate and effective internal control policies and procedures, the risk of omissions or misstatements would be prevented or timely detected.

Cause:

Lack of adequate internal controls over the financial reporting.

Recommendation:

The District should adopt internal control policies and procedures to ensure accurate reporting.

Management's Response:

The district disagrees that this was the result of a lack of adequate controls over financial reporting. The district asserts that the cause of this was a difference of opinion and advice from various professional services employed by the district, not a lack of oversight or controls.

The questioned costs are significant and were fully disclosed by the district's business manager and superintendent. The advice to the district from their contracted law firm in both 2018 and 2019 was to continue to defer the funds.



L'ANSE AREA SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

(Continued)

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

Finding 2021-001 (continued)

Management's Response: (continued)

The district agrees with the current auditor's assessment that the likelihood of the call back of these funds is low due to the time that has passed and understands that this correction should be made per Generally Accepted Auditing Standards.



L'ANSE AREA SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

(Continued)

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

Finding 2021-002

Reportable Condition:

During the audit it was noted that 12 entries needed to be made to correct the financial statements. During the review of cash, it was noted five checks were dated subsequent to year-end, however, they cleared during the fiscal year. The District did not record these checks in the period in which they cleared.

During the review of subsequent events it was noted several checks that pertained to the current fiscal year were not recorded as accounts payable.

Criteria:

The Michigan Department of Treasury and Education requires the District to have effective internal controls and accountability must be maintained for all funds. To ensure effectiveness of internal control, adequate procedures should exist among those who perform accounting procedures and internal control activities over the financial records of the District. Internal control procedures should be such that there is a reduced risk of omissions and misstatements would be prevented or detected timely.

Condition:

The District lacked adequate controls over financial reporting and cut off procedures.

Questioned Costs:

None

Effect:

With adequate and effective internal control policies and procedures, the risk of omissions or misstatements would be prevented or timely detected.

Cause:

Lack of adequate internal controls over the financial reporting.

Recommendation:

The District should adopt internal control policies and procedures to ensure accurate reporting.



L'ANSE AREA SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

(Continued)

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

Finding 2021-002 (continued)

Management's Response:

The district pledges to put in internal controls to reduce year-end entries and ensure accurate financial reporting. Many of the required entries were due to correcting issues from prior years including bad debt in food service, an unpaid bill for students from another District on our hockey team and moving of deferred revenue (for example a performance settlement) into the general fund. The district will also be more diligent about not prepaying expenses for the upcoming school year prior to July 1st.



L'ANSE AREA SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

(Continued)

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None





ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Iron Mountain Office:

Shane M. Ellison, CPA, PC - Principal

Lynn M. Mott, MSA - Principal

Michelle Christian, BSA - Senior

Member of:

Private Companies Practice Section

American Institute of Certified

Public Accountants

October 26, 2021

To the Board of Education
L'Anse Area Schools

We have audited the financial statements of the governmental activities, each major fund, and the internal service fund of the L'Anse Area Schools for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 20, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by L'Anse Area Schools are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no major sensitive accounting estimates.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement was detected as a result of audit procedures and were corrected by management; the District historically has not reviewed deferred revenue at year-end resulting in a material entry in the amount of \$669,552.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 26, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to L'Anse Area Schools's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

This information is intended solely for the use of the Board of Education and management of the L'Anse Area Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

ANDERSON, TACKMAN & COMPANY, PLC

By: Shane M. Ellison, CPA, PC

By: 

Shane M. Ellison, President