

Big Jackson  
School District



Year Ended  
June 30, 2022

Financial  
Statements

**Rehmann**

# BIG JACKSON SCHOOL DISTRICT

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## INDEPENDENT AUDITORS' REPORT

September 2, 2022

Board of Education  
Big Jackson School District  
Paris, Michigan

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the governmental activities, the major fund, and the remaining aggregate fund information of the **Big Jackson School District** (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining aggregate fund information of the Big Jackson School District as of June 30, 2022, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Independent Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The detail schedule of revenues, expenditures and changes in fund balance, budget and actual, by activity for the general fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# BIG JACKSON SCHOOL DISTRICT

## Management's Discussion and Analysis

As management of Big Jackson School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

### Financial Highlights

- Overall, the District reported total net position of \$301,855 in its most recent statement of net position, an increase of \$115,045.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$542,056, an increase of \$47,114 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$516,712 or 144.7% of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the District include instruction, supporting and community services. The District has no business-type activities as of and for the year ended June 30, 2022.

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

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



# BIG JACKSON SCHOOL DISTRICT

## Management's Discussion and Analysis

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

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget.

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

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements. The general fund detailed schedule of revenues, expenditures, and changes in fund balance - budget to actual by activity is presented immediately following the required supplementary information.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District reported net position of \$301,855 at June 30, 2022.

	Net Position	
	2022	2021
<b>Assets</b>		
Current and other assets	\$ 569,347	\$ 521,048
Capital assets, net	140,130	107,801
<b>Total assets</b>	<u>709,477</u>	<u>628,849</u>
<b>Deferred outflows of resources</b>	<u>109,291</u>	<u>118,346</u>
<b>Liabilities</b>		
Current and other liabilities	330,806	476,860
Long-term debt	5,251	4,572
<b>Total liabilities</b>	<u>336,057</u>	<u>481,432</u>
<b>Deferred inflows of resources</b>	<u>180,856</u>	<u>78,953</u>
<b>Net position</b>		
Investment in capital assets	140,130	107,801
Restricted	25,344	25,291
Unrestricted	136,381	53,718
<b>Total net position</b>	<u>\$ 301,855</u>	<u>\$ 186,810</u>

# BIG JACKSON SCHOOL DISTRICT

## Management's Discussion and Analysis

A portion of the District's net position reflect its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and vehicles). The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending.

An additional portion of the District's net position represents resources that are subject to other external restrictions on how they may be used. The remaining balance of unrestricted net position, when available, may be used to meet the District's ongoing obligations to its general programs.

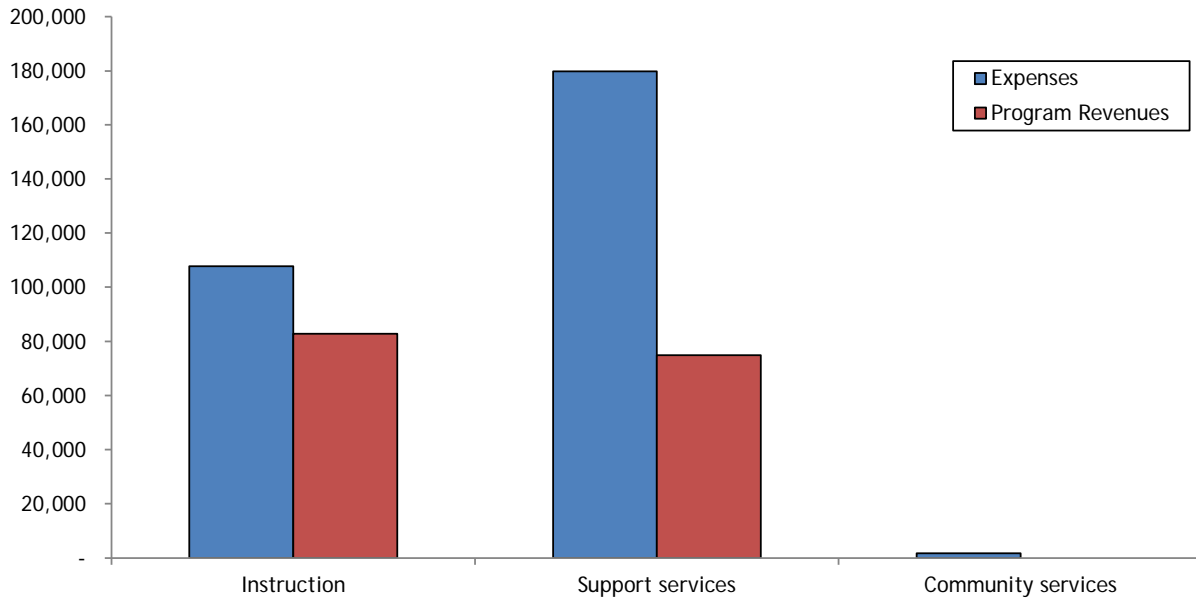
	Change in Net Position	
	2022	2021
<b>Revenues</b>		
Program revenues:		
Operating grants and contributions	\$ 157,648	\$ 86,492
Capital grants and contributions	-	23,000
General revenues:		
Property taxes - operations	241,369	227,762
Grants and contributions not restricted to specific programs	1,354	2,798
Unrestricted investment earnings	997	245
Other revenues	2,886	9,120
<b>Total revenues</b>	<u>404,254</u>	<u>349,417</u>
<b>Expenses</b>		
Instruction	107,676	121,475
Supporting services	179,868	178,866
Community services	1,665	-
<b>Total expenses</b>	<u>289,209</u>	<u>300,341</u>
<b>Change in net position</b>	115,045	49,076
Net position, beginning of year	<u>186,810</u>	<u>137,734</u>
<b>Net position, end of year</b>	<u>\$ 301,855</u>	<u>\$ 186,810</u>

**Governmental Activities.** Net position increased by \$115,045 compared to an increase of \$49,076 in the prior year. Revenues increased, driven mostly by additional federal grants received to partially pay for capital assets purchased during the year.

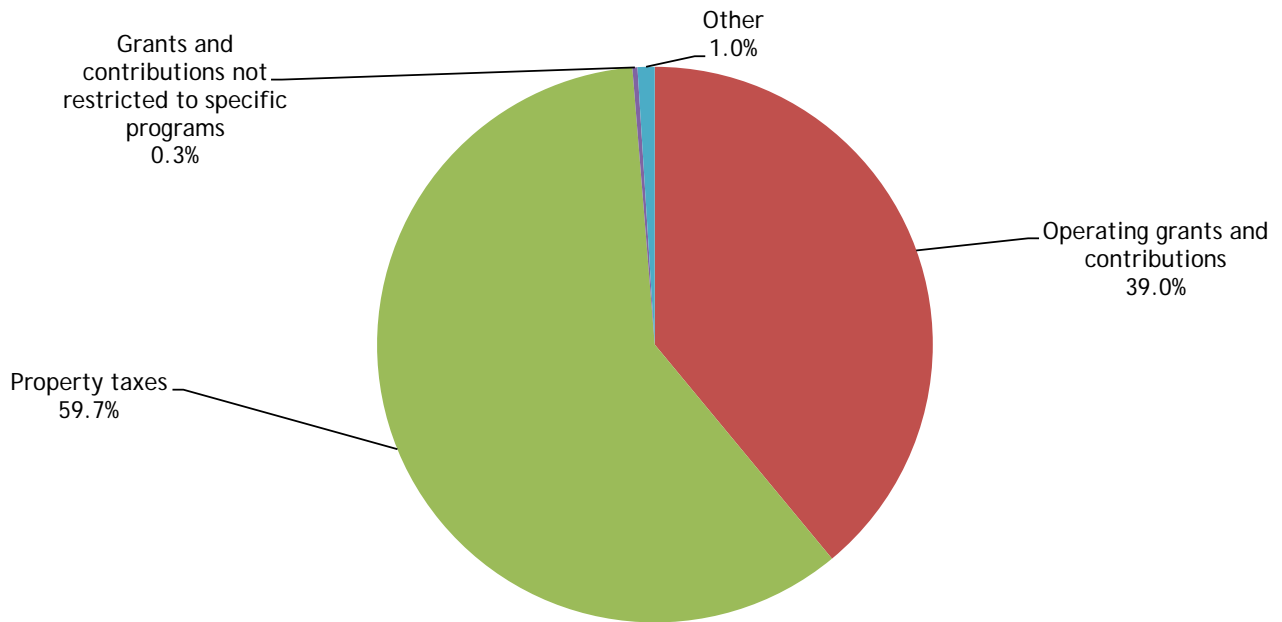
# BIG JACKSON SCHOOL DISTRICT

## Management's Discussion and Analysis

### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities



# BIG JACKSON SCHOOL DISTRICT

## Management's Discussion and Analysis

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

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

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance (all unassigned) of the general fund was \$516,712. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance (all unassigned) represents 144.7% of total general fund expenditures.

The fund balance of the District's general fund increased by \$47,061, or 10.0% from the prior year. This increase in fund balance was greater than the increase from a year ago of \$37,044. Revenues increased, driven mostly by an ESSER (Education and Secondary School Emergency Relief Fund) grant received to pay for the furnace, air conditioner, building improvements and a van. This was offset mostly by the purchase of those items.

### General Fund Budgetary Highlights

Amendments to the original adopted budget are passed in order to reflect changes in information and circumstances. Some of the more significant changes between the original adopted and final amended budgets were:

- The general fund revenue budget was increased by \$59,062, or 15.8% from the original budget due mostly to increased ESSER grants received/approved including one for the purchase of building improvements and a van.
- The general fund expenditure budget was increased by \$47,652 or 12.6% from the original budget due mostly to the purchase of building improvements and a van.

In accordance with State statute, the District is prohibited from amending the budget after year-end. As the District's books are not closed for accounting purposes at that point, a certain level of estimation is required in determining actual expenditures. Some of the more significant differences between the final amended budget and the actual financial results were:

- General fund actual federal sources were under the final amended budget by \$29,996 due to anticipating utilizing more of the ESSER grant funds than the District was able to use.
- General fund actual expenditures for operations and maintenance, instruction, and transportation expenditures were under the final amended budget by \$32,762, \$9,396 and \$8,617, respectively, due to EESER purchases and other repairs less than anticipated, summer program shorter than in prior year as was anticipated, and bus repair costs not as large as anticipated.

# BIG JACKSON SCHOOL DISTRICT

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2022 amounted to \$140,130 (net of accumulated depreciation). Capital assets at year-end included the following:

	Capital Assets (Net of Depreciation)	
	2022	2021
Land	\$ 1,042	\$ 1,042
Buildings and improvements	72,458	57,658
Land improvements	7,661	8,542
Furniture and equipment	4,078	5,274
Vehicles	54,891	35,285
<b>Total capital assets, net</b>	<b>\$ 140,130</b>	<b>\$ 107,801</b>

Additional information on the District's capital assets can be found in Note 5 of this report.

**Long-term Debt.** At the end of the current fiscal year, the District had total long-term debt outstanding, consisting solely of accrued compensated absences, of \$5,251.

Additional information on the District's long-term debt can be found in Note 6 of this report.

### Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2022-23 fiscal year:

- Revenue sources of \$425,574 were less than prior year final budgeted sources of \$433,142 due to a slight reduction in State Aid, ESSER and Local grant funds anticipated to be received/used in 2022-23. Property Taxes, the most significant funding source for the District at 58% of the budget, was budgeted to have about a 1.5% increase from prior year.
- Expenditures were budgeted for \$420,543 which is less than the prior year budget of \$426,588 and more than the prior year actual expenditures of \$357,138. The most significant reduction in budgeted costs was for reduced costs for building improvements and van purchase. The increase in budget from prior year actual is mostly due to the additional anticipated costs related to the ESSER grants.
- The Capital Project Fund has budgeted for \$5,000 of expenditures. There were no Capital Project Funds expended in the 2021-2022 fiscal year.
- The budget for the year ended June 30, 2023 was adopted in June 2022. The District is continuously evaluating the impacts of the pandemic as it determines the appropriate methods to deliver education to students in a safe environment.

# BIG JACKSON SCHOOL DISTRICT

## Management's Discussion and Analysis

### Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Big Jackson School District  
4020 13 Mile Road  
Paris, MI 49338

## **BASIC FINANCIAL STATEMENTS**

# BIG JACKSON SCHOOL DISTRICT

## Statement of Net Position

June 30, 2022

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 472,555
Receivables	96,792
Capital assets not being depreciated	1,042
Capital assets being depreciated, net	<u>139,088</u>
<b>Total assets</b>	<u>709,477</u>
<b>Deferred outflows of resources</b>	
Deferred pension amounts	76,150
Deferred other postemployment benefit amounts	<u>33,141</u>
<b>Total deferred outflows of resources</b>	<u>109,291</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	27,291
Long-term debt (due within one year)	5,251
Net pension liability (due in more than one year)	284,048
Net other postemployment benefit liability (due in more than one year)	<u>19,467</u>
<b>Total liabilities</b>	<u>336,057</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	102,842
Deferred other postemployment benefit amounts	<u>78,014</u>
<b>Total deferred inflows of resources</b>	<u>180,856</u>
<b>Net position</b>	
Investment in capital assets	140,130
Restricted for capital projects	25,344
Unrestricted	<u>136,381</u>
<b>Total net position</b>	<u><u>\$ 301,855</u></u>

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



# BIG JACKSON SCHOOL DISTRICT

## Statement of Activities

For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues	
		Operating Grants and Contributions	Net (Expense) Revenue
<b>Governmental activities</b>			
Instruction	\$ 107,676	\$ 82,774	\$ (24,902)
Supporting services	179,868	74,874	(104,994)
Community services	1,665	-	(1,665)
<b>Total governmental activities</b>	<u>\$ 289,209</u>	<u>\$ 157,648</u>	<u>(131,561)</u>
<b>General revenues</b>			
Property taxes - operations			241,369
Grants and contributions not restricted to specific programs			1,354
Unrestricted investment earnings			997
Other revenues			<u>2,886</u>
<b>Total general revenues</b>			<u>246,606</u>
<b>Change in net position</b>			115,045
Net position, beginning of year			<u>186,810</u>
<b>Net position, end of year</b>			<u>\$ 301,855</u>

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

# BIG JACKSON SCHOOL DISTRICT

## Balance Sheet

Governmental Funds

June 30, 2022

	General Fund	Nonmajor Governmental Fund - Capital Projects	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 447,211	\$ 25,344	\$ 472,555
Accounts receivable	42	-	42
Due from other governments	96,750	-	96,750
<b>Total assets</b>	<b>\$ 544,003</b>	<b>\$ 25,344</b>	<b>\$ 569,347</b>
<b>Liabilities</b>			
Accounts payable	\$ 5,111	\$ -	\$ 5,111
Accrued liabilities	22,180	-	22,180
<b>Total liabilities</b>	<b>27,291</b>	<b>-</b>	<b>27,291</b>
<b>Fund balances</b>			
Restricted for capital projects	-	25,344	25,344
Unassigned	516,712	-	516,712
<b>Total fund balances</b>	<b>516,712</b>	<b>25,344</b>	<b>542,056</b>
<b>Total liabilities and fund balances</b>	<b>\$ 544,003</b>	<b>\$ 25,344</b>	<b>\$ 569,347</b>

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

# BIG JACKSON SCHOOL DISTRICT

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2022

**Fund balances - total governmental funds** \$ 542,056

Amounts reported for *governmental activities* in the statement of net position are different because:

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

Capital assets not being depreciated	1,042
Capital assets being depreciated, net	139,088

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

Compensated absences	(5,251)
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Certain pension-related amounts and other postemployment benefit amounts, such as the net pension liability and net other postemployment benefits liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(284,048)
Deferred outflows related to the net pension liability	76,150
Deferred inflows related to the net pension liability	(102,842)
Net other postemployment benefit liability	(19,467)
Deferred outflows related to the other postemployment benefit liability	33,141
Deferred inflows related to the other postemployment benefit liability	(78,014)

**Net position of governmental activities** \$ 301,855

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

# BIG JACKSON SCHOOL DISTRICT

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

Governmental Funds

For the Year Ended June 30, 2022

	General Fund	Nonmajor Governmental Fund - Capital Projects	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 250,326	\$ 53	\$ 250,379
State sources	34,082	-	34,082
Federal sources	117,986	-	117,986
Interdistrict sources	1,807	-	1,807
	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	404,201	53	404,254
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current:			
Instruction	145,469	-	145,469
Supporting services	210,006	-	210,006
Community services	1,665	-	1,665
	<hr/>	<hr/>	<hr/>
<b>Total expenditures</b>	357,140	-	357,140
	<hr/>	<hr/>	<hr/>
<b>Net change in fund balances</b>	47,061	53	47,114
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	469,651	25,291	494,942
	<hr/>	<hr/>	<hr/>
<b>Fund balances, end of year</b>	\$ 516,712	\$ 25,344	\$ 542,056
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

## BIG JACKSON SCHOOL DISTRICT

### Reconciliation

Net Change in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2022

**Net change in fund balances - total governmental funds** \$ 47,114

Amounts reported for *governmental activities* in the statement of activities are different because:

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

Capital assets purchased/constructed	46,727
Depreciation expense	(13,032)
Loss on disposal of capital assets	(1,366)

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

Change in the net pension liability and related deferred amounts	15,327
Change in the net other postemployment benefit liability and related deferred amounts	20,954
Change in compensated absences payable	(679)

**Change in net position of governmental activities** \$ 115,045

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

# BIG JACKSON SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 246,325	\$ 249,690	\$ 250,326	\$ 636
State sources	24,011	33,660	34,082	422
Federal sources	101,934	147,982	117,986	(29,996)
Interdistrict sources	1,810	1,810	1,807	(3)
<b>Total revenues</b>	<u>374,080</u>	<u>433,142</u>	<u>404,201</u>	<u>(28,941)</u>
<b>Expenditures</b>				
Current:				
Instruction	183,206	154,865	145,469	(9,396)
Supporting services	195,430	270,423	210,006	(60,417)
Community services	300	1,300	1,665	365
<b>Total expenditures</b>	<u>378,936</u>	<u>426,588</u>	<u>357,140</u>	<u>(69,448)</u>
<b>Net change in fund balance</b>	(4,856)	6,554	47,061	40,507
Fund balance, beginning of year	<u>469,651</u>	<u>469,651</u>	<u>469,651</u>	-
<b>Fund balance, end of year</b>	<u>\$ 464,795</u>	<u>\$ 476,205</u>	<u>\$ 516,712</u>	<u>\$ 40,507</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Big Jackson School District (the “District”), consistently applied in the preparation of the accompanying financial statements, is as follows:

#### **The Reporting Entity**

The District is governed by an elected five-member Board of Education. As required by generally accepted accounting principles, these financial statements present the reporting entity of Big Jackson School District. The criteria identified in GAAP, including financial accountability, have been utilized in identifying the District’s reporting entity which includes no component units.

#### ***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2022.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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



# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

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

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

The District reports the following major governmental funds:

*General fund* – This fund is the District’s primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

Additionally, the District reports the following fund types:

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition of construction of capital facilities and other capital assets.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. The District had no charges to customers or applicants for goods, services, or privileges provided for the year ended June 30, 2022. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

### ***Property Taxes***

Property taxes are recognized as revenue in the general fund on a levy year basis. The 2021 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### *Investments*

Investments consist of participation in an external investment pool. In accordance with GASB 79, the District's shares are recorded at amortized cost, which approximates fair value.

State statutes authorize the District to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

### *Receivables*

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

### *Capital Assets*

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

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

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

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

	Years
Buildings and improvements	15-50
Land improvements	15-25
Furniture and equipment	3-20
Buses and other vehicles	5-10

### ***Deferred Outflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

### ***Salaries Payable and Accrued Employee Benefits***

A liability is recorded for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded.

### ***Compensated Absences***

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### *Deferred Inflows of Resources*

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

### *Fund Equity*

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

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

### *Pensions and Other Postemployment Benefits*

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### *Use of Estimates*

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

## 2. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

### *Budgets and Budgetary Accounting*

Budgets are adopted for general fund as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2022. Expenditures may not exceed appropriations at the function code level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

During the year ended June 30, 2022, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<b>Total Appropriations</b>	<b>Amount of Expenditures</b>	<b>Budget Variance</b>
<b>General fund</b>			
Community services	\$ 1,300	\$ 1,665	\$ (365)

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### 3. DEPOSITS AND INVESTMENTS

The captions on the financial statements relating to cash and investments are as follows:

	<b>Governmental Activities</b>
Cash and investments	<u>\$ 472,555</u>
Cash and investments are comprised of the following at year-end:	
Checking and savings accounts	\$ 291,617
Investments	<u>180,938</u>
<b>Total</b>	<u>\$ 472,555</u>

Cash and cash equivalents are comprised of deposits in various financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account.

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had investments in the Michigan Liquid Asset Fund Plus (MILAF+) Max and management series in the amount of \$180,938. Investments in MILAF+ are carried at amortized cost, in accordance with GASB Statements 72 and 79.

#### ***Investment and Deposit Risk***

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. 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 MILAF+ investment does not have a stated maturity date.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of District's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of State law on investment credit risk. The District's investments were rated by Standard and Poors as AAAM as of year-end.

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District’s investment policy. As of year-end, the bank balance of \$294,087 was fully collateralized and insured.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the District’s investment policy. The District is exposed to no custodial credit risk on its investments because they are held in the name of the District.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

## 4. RECEIVABLES AND PAYABLES

Receivables in the government-wide financial statements at June 30, 2022 are as follows:

	<b>Governmental Activities</b>
Accounts	\$ 42
Due from other governments	96,750
	<hr/>
<b>Totals</b>	<b>\$ 96,792</b>

Accounts payable and accrued liabilities in the government-wide financial statements at June 30, 2022 are as follows:

	<b>Governmental Activities</b>
Accounts payable	\$ 5,111
Accrued liabilities	22,180
	<hr/>
<b>Totals</b>	<b>\$ 27,291</b>

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### 5. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets, not being depreciated:					
Land	\$ 1,042	\$ -	\$ -	\$ -	\$ 1,042
Capital assets, being depreciated:					
Buildings and improvements	103,063	19,614	-	-	122,677
Land improvements	17,702	-	-	-	17,702
Furniture and equipment	57,901	1,868	(7,669)	-	52,100
Vehicles	38,000	25,245	-	-	63,245
	<u>216,666</u>	<u>46,727</u>	<u>(7,669)</u>	<u>-</u>	<u>255,724</u>
Less accumulated depreciation for:					
Buildings and improvements	(45,405)	(4,814)	-	-	(50,219)
Land improvements	(9,160)	(881)	-	-	(10,041)
Furniture and equipment	(52,627)	(1,698)	6,303	-	(48,022)
Vehicles	(2,715)	(5,639)	-	-	(8,354)
	<u>(109,907)</u>	<u>(13,032)</u>	<u>6,303</u>	<u>-</u>	<u>(116,636)</u>
Total capital assets being depreciated, net	<u>106,759</u>	<u>33,695</u>	<u>(1,366)</u>	<u>-</u>	<u>139,088</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 107,801</u>	<u>\$ 33,695</u>	<u>\$ (1,366)</u>	<u>\$ -</u>	<u>\$ 140,130</u>

Depreciation expense was charged to functions/programs of governmental activities as follows:

<b>Governmental activities</b>	
Instruction	\$ 6,452
Supporting services	<u>6,580</u>
	<u>\$ 13,032</u>



# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### 6. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2022:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Compensated absences	\$ 4,572	\$ 5,251	\$ (4,572)	\$ 5,251	\$ 5,251

Compensated absences are expected to be liquidated by the general fund.

### 7. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

#### *Plan Description*

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

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

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

The System's financial statements are available at the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### *Pension Benefits Provided*

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

## BIG JACKSON SCHOOL DISTRICT

### Notes to Financial Statements

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

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

#### ***Other Postemployment Benefits Provided***

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

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

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

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

### **Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	19.78% - 20.14%
Member Investment Plan (MIP)	3.00% - 7.00%	19.78% - 20.14%
Pension Plus	3.00% - 6.40%	16.82% - 17.22%
Pension Plus 2	6.20%	19.59% - 19.93%
Defined Contribution	0.00%	13.39% - 13.73%

For the year ended June 30, 2022, required and actual contributions from the District to the pension plan were \$35,716, which included \$20,606, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.09% - 8.43%
Personal Healthcare Fund (PHF)	0.00%	7.23% - 7.57%

For the year ended June 30, 2022, required and actual contributions from the District to the OPEB plan were \$9,857.

The table below summarizes defined contribution rates in effect for fiscal year 2022:

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

For the year ended June 30, 2022, required and actual contributions from the District for those members with a defined contribution benefit were \$7,499.

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

At June 30, 2022, the District reported a liability of \$284,048 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the District's proportion was 0.00120%, which was an increase of 0.00007% from its proportion measured as of September 30, 2020.

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

For the year ended June 30, 2022, the District recognized pension expense of \$25,094. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 4,400	\$ 1,673	\$ 2,727
Changes in assumptions	17,905	-	17,905
Net difference between projected and actual earnings on pension plan investments	-	91,321	(91,321)
Changes in propor. on and differences between employer contributions and proportionate share of contributions	20,039	9,848	10,191
	<u>42,344</u>	<u>102,842</u>	<u>(60,498)</u>
District contributions subsequent to the measurement date	33,806	-	33,806
	<u>33,806</u>	<u>-</u>	<u>33,806</u>
<b>Total</b>	<u>\$ 76,150</u>	<u>\$ 102,842</u>	<u>\$ (26,692)</u>

The \$33,806 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2023	\$ (9,568)
2024	(11,659)
2025	(16,682)
2026	<u>(22,589)</u>
<b>Total</b>	<u>\$ (60,498)</u>

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

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

At June 30, 2022, the District reported a liability of \$19,467 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the District's proportion was 0.00128% which was an increase of 0.00010% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$12,226. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 55,568	\$ (55,568)
Changes in assumptions	16,274	2,435	13,839
Net difference between projected and actual earnings on OPEB plan investments	-	14,673	(14,673)
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,822	5,338	3,484
	<u>25,096</u>	<u>78,014</u>	<u>(52,918)</u>
District contributions subsequent to the measurement date	8,045	-	8,045
<b>Total</b>	<u>\$ 33,141</u>	<u>\$ 78,014</u>	<u>\$ (44,873)</u>

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

The \$8,045 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2023	\$ (16,010)
2024	(13,454)
2025	(10,461)
2026	(9,862)
2027	(2,768)
Thereafter	<u>(363)</u>
<b>Total</b>	<b><u>\$ (52,918)</u></b>

### *Actuarial Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2020 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### Other OPEB assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2021, are based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4367 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.1312 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.



# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### *Long-term Expected Return on Pension Plan Assets*

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	<u>100.00%</u>		5.04%
Inflation			2.00%
Risk adjustment			<u>-0.24%</u>
<b>Investment rate of return</b>			<u><b>6.80%</b></u>

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### *Long-term Expected Return on OPEB Plan Assets*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate
Domestic equity pools	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	<u>100.00%</u>		5.04%
Inflation			2.00%
Risk adjustment			<u>-0.09%</u>
<b>Investment rate of return</b>			<u><u>6.95%</u></u>

### *Rate of Return*

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.30% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### *Discount Rate*

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

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

	<b>1% Decrease (5.80% / 5.80% / 5.00%)</b>	<b>Current Discount Rate (6.80% / 6.80% / 6.00%)</b>	<b>1% Increase (7.80% / 7.80% / 7.00%)</b>
District's proportionate share of the net pension liability	\$ 406,112	\$ 284,048	\$ 182,849

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

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

	<b>1% Decrease (5.95%)</b>	<b>Current Discount Rate (6.95%)</b>	<b>1% Increase (7.95%)</b>
District's proportionate share of the net OPEB liability	\$ 36,174	\$ 19,467	\$ 5,289

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

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

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

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net OPEB liability	\$ 4,738	\$ 19,467	\$ 36,039

### *Pension and OPEB Plans Fiduciary Net Position*

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

### *Payable to the Pension Plan*

At June 30, 2022, the District reported a payable of \$5,759 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2022.

### *Payable to the OPEB Plan*

At June 30, 2022, the District reported a payable of \$905 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2022.

## 8. CONTINGENCIES

### *Federal Grant Programs*

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

### *Risk Management*

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2022, the District carried commercial insurance and participated in a public entity risk pool. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

# BIG JACKSON SCHOOL DISTRICT

## Notes to Financial Statements

### 9. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. The District received over \$63,000 during 2022 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the CARES Act and other funding sources. This funding was used to purchase personal protection equipment (PPE), cleaning and sanitizing materials, and supplies, as well as for activities to support remote learning for students. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

## BIG JACKSON SCHOOL DISTRICT

### Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,			
	2022	2021	2020	2019
District's proportionate share of the net pension liability	\$ 284,048	\$ 387,618	\$ 366,171	\$ 352,207
District's proportion of the net pension liability	0.00120%	0.00113%	0.00111%	0.00117%
District's covered payroll	\$ 117,949	\$ 105,841	\$ 101,480	\$ 96,727
District's proportionate share of the net pension liability as a percentage of its covered payroll	240.82%	366.23%	360.83%	364.12%
Plan fiduciary net position as a percentage of the total pension liability	72.60%	59.72%	60.31%	62.36%





Year Ended June 30,			
2018	2017	2016	2015
\$ 340,596	\$ 340,531	\$ 325,710	\$ 426,424
0.00131%	0.00136%	0.00133%	0.00194%
\$ 107,895	\$ 119,306	\$ 114,127	\$ 168,950
315.67%	285.43%	285.39%	252.40%
64.21%	63.27%	63.17%	66.20%

## BIG JACKSON SCHOOL DISTRICT

### Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan  
Schedule of District Pension Contributions

	Year Ended June 30,			
	2022	2021	2020	2019
Statutorily required contribution	\$ 35,716	\$ 30,273	\$ 27,789	\$ 24,660
Contributions in relation to the statutorily required contribution	<u>(35,716)</u>	<u>(30,273)</u>	<u>(27,789)</u>	<u>(24,660)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 115,604	\$ 110,418	\$ 106,098	\$ 99,873
Contributions as a percentage of covered payroll	30.90%	27.42%	26.19%	24.69%



Year Ended June 30,			
2018	2017	2016	2015
\$ 30,828	\$ 20,746	\$ 21,312	\$ 25,485
<u>(30,828)</u>	<u>(20,746)</u>	<u>(21,312)</u>	<u>(25,485)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 87,609	\$ 122,072	\$ 113,348	\$ 140,274
35.19%	16.99%	18.80%	18.17%

## BIG JACKSON SCHOOL DISTRICT

### Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,				
	2022	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 19,467	\$ 63,136	\$ 82,548	\$ 89,601	\$ 117,720
District's proportion of the net OPEB liability	0.00128%	0.00118%	0.00115%	0.00113%	0.00131%
District's covered payroll	\$ 117,949	\$ 105,841	\$ 101,480	\$ 96,727	\$ 107,895
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.50%	59.65%	81.34%	92.63%	109.11%
Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.44%	48.46%	42.95%	64.21%

## BIG JACKSON SCHOOL DISTRICT

### Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan  
 Schedule of District OPEB Contributions

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 9,857	\$ 9,818	\$ 9,203	\$ 9,407	\$ 6,316
Contributions in relation to the statutorily required contributions	<u>(9,857)</u>	<u>(9,818)</u>	<u>(9,203)</u>	<u>(9,407)</u>	<u>(6,316)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 115,604	\$ 110,418	\$ 106,098	\$ 99,873	\$ 87,609
Contributions as a percentage of covered payroll	8.53%	8.89%	8.67%	9.42%	7.21%

## BIG JACKSON SCHOOL DISTRICT

### Notes to Required Supplementary Information

#### Pension Information

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

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

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

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

#### OPEB Information

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

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

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

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

**GENERAL FUND**

# BIG JACKSON SCHOOL DISTRICT

## Detail Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - By Activity - General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 246,325	\$ 249,690	\$ 250,326	\$ 636
State sources	24,011	33,660	34,082	422
Federal sources	101,934	147,982	117,986	(29,996)
Interdistrict sources	1,810	1,810	1,807	(3)
<b>Total revenues</b>	<b>374,080</b>	<b>433,142</b>	<b>404,201</b>	<b>(28,941)</b>
<b>Expenditures</b>				
Instruction:				
Basic programs:				
Elementary	170,680	141,790	132,379	(9,411)
Added needs:				
Special education	2,699	2,699	2,691	(8)
Compensatory education	9,827	10,376	10,399	23
Total added needs	12,526	13,075	13,090	15
Total instruction	183,206	154,865	145,469	(9,396)
Supporting services:				
Instructional staff:				
Improvement of instruction	6,769	9,715	3,643	(6,072)
General administration:				
Board of Education	15,562	11,762	8,634	(3,128)
Executive administration	1	1	1	-
Total general administration	15,563	11,763	8,635	(3,128)
School administration:				
Office of the principal	39,778	35,278	30,877	(4,401)
Other school administration	500	500	34	(466)
Total school administration	40,278	35,778	30,911	(4,867)

continued...



## BIG JACKSON SCHOOL DISTRICT

### Detail Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - By Activity - General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (concluded)</b>				
Supporting services (concluded):				
Business services:				
Other central services	\$ 7,000	\$ 4,000	\$ 2,705	\$ (1,295)
Pupil accounting	529	529	474	(55)
Other business services	11,275	11,275	7,654	(3,621)
Total business services	<u>18,804</u>	<u>15,804</u>	<u>10,833</u>	<u>(4,971)</u>
Transportation	<u>57,248</u>	<u>58,579</u>	<u>49,962</u>	<u>(8,617)</u>
Operations and maintenance:				
Building services	<u>56,768</u>	<u>138,784</u>	<u>106,022</u>	<u>(32,762)</u>
Total supporting services	<u>195,430</u>	<u>270,423</u>	<u>210,006</u>	<u>(60,417)</u>
Community services	<u>300</u>	<u>1,300</u>	<u>1,665</u>	<u>365</u>
<b>Total expenditures</b>	<u>378,936</u>	<u>426,588</u>	<u>357,140</u>	<u>(69,448)</u>
<b>Net change in fund balance</b>	(4,856)	6,554	47,061	40,507
Fund balance, beginning of year	<u>469,651</u>	<u>469,651</u>	<u>469,651</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 464,795</u>	<u>\$ 476,205</u>	<u>\$ 516,712</u>	<u>\$ 40,507</u>

concluded

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

September 2, 2022

Board of Education  
Big Jackson School District  
Paris, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the remaining fund information of the **Big Jackson School District** (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 2, 2022.

### **Report on Internal Control Over Financial Reporting**

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

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

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



## **Report on Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

**INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

September 2, 2022

Board of Education  
Big Jackson School District  
Paris, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the remaining fund information of the **Big Jackson School District** (the "District") as of and for the year ended June 30, 2022, and have issued our report thereon dated September 2, 2022. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 2, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated September 2, 2022.



### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on August 22, 2022.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

We have identified the risks of management override of internal control and revenue recognition as significant risks, and have obtained an understanding of the District's related controls, including control activities, relevant to such risks.

### **Qualitative Aspects of the District's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

In addition, the financial statements include net pension and other postemployment benefit liabilities and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards but are not within the control of management.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in Attachment B to this letter.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

**Other Information in Documents Containing Audited Financial Statements**

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. 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.

**Upcoming Changes in Accounting Standards**

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the Big Jackson School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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



# BIG JACKSON SCHOOL DISTRICT

## Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2022 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the District. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

### **GASB 91 ■ Conduit Debt Obligations**

*Effective 12/15/2022 (your FY 2023)*

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is more likely than not that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the District.

### **GASB 94 ■ Public-Private and Public-Public Partnerships and Availability Payment Arrangements**

*Effective 06/15/2023 (your FY 2023)*

This standard addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. We do not expect this standard to have any significant effect on the District.

### **GASB 96 ■ Subscription-Based Information Technology Arrangements**

*Effective 06/15/2023 (your FY 2023)*

This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments.

### **GASB 99 ■ Omnibus 2022**

*Effective 06/15/2023 (your FY 2023)*

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the District.

### **GASB 100 ■ Accounting Changes and Error Corrections**

*Effective 06/15/2024 (your FY 2024)*

This standard clarifies the presentation and disclosure requirements for prior period adjustments to beginning net position. We do not expect this standard to have any significant effect on the District.

# BIG JACKSON SCHOOL DISTRICT

## Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2022 Audit

### **GASB 101 ■ Compensated Absences**

*Effective 12/15/2024 (your FY 2025)*

This standard revises the liability governments record for compensated absences payable to include any sick, vacation, personal time, or other PTO reasonably expected to be used by employees or paid out to them at termination.



# BIG JACKSON SCHOOL DISTRICT

## **Attachment B – Management Representations**

For the June 30, 2022 Audit

The following pages contain the written representations that we requested from management.



# Big Jackson Public Schools

4020 E. 13 Mile Road  
Paris, Michigan 49338  
Phone: (231) 796-8947  
Website: [www.bigjackson.ncats.net](http://www.bigjackson.ncats.net)

September 2, 2022

Rehmann Robson  
2330 East Paris Ave SE  
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the major fund and the remaining fund information of **Big Jackson School District** (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and the budgetary comparison for the general fund of the District in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 2, 2022.

## Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 2, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:
  - a. Made all management decisions and performed all management functions;
  - b. Assigned a competent individual to oversee the services;
  - c. Evaluated the adequacy of the services performed;
  - d. Evaluated and accepted responsibility for the result of the service performed; and
  - e. Established and maintained internal controls, including monitoring ongoing activities.

4. We acknowledge our responsibility for 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.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
11. All funds and activities are properly classified.
12. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
13. All components of net position and fund balance classifications have been properly reported.
14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
15. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Deposit and investment risks have been properly and fully disclosed.
18. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
19. All required supplementary information is measured and presented within the prescribed guidelines.
20. We are responsible for the fair presentation of the District's proportionate share of the net pension and other postemployment benefit liabilities of the Michigan Public School Employees Retirement System (MPSERS) and related amounts. We provided MPSERS with complete and accurate information regarding the District's participation in the plan, and have reviewed the information provided by MPSERS for inclusion in the District's financial statements.

21. In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. The District received over \$63,000 during 2022 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the CARES Act and other funding sources. This funding was used to purchase personal protection equipment (PPE), cleaning and sanitizing materials, and supplies, as well as for activities to support remote learning for students. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.

#### Information Provided

22. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
23. All transactions have been recorded in the accounting records and are reflected in the financial statements.
24. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
25. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - d. Management;
  - e. Employees who have significant roles in internal control; or
  - f. Others where the fraud could have a material effect on the financial statements.
26. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
27. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
28. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.



30. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
31. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
32. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
33. The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
34. We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
35. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
36. There are no:
  - g. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - h. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
  - i. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
37. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
38. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
39. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

#### **Supplementary Information in Relation to the Financial Statements as a Whole**

40. With respect to the supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

**Required Supplementary Information**

- 41. With respect to the required supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

  
\_\_\_\_\_  
Jodi DeKuper, Business Manager

  
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Blake Prewitt, Superintendent