
Heritage Southwest Intermediate School District

**Financial Report
with Supplemental Information
June 30, 2021**

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Independent Auditor's Report

To the Board of Education
Heritage Southwest Intermediate School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

To the Board of Education
Heritage Southwest Intermediate School District

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 Heritage Southwest Intermediate School District's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental 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 October 8, 2021 on our consideration of Heritage Southwest Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Heritage Southwest Intermediate School 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 Heritage Southwest Intermediate School District's internal control over financial reporting and compliance.



October 8, 2021

Heritage Southwest Intermediate School District

Management's Discussion and Analysis

This section of Heritage Southwest Intermediate School District's (the "Intermediate School District") annual financial report presents our discussion and analysis of the Intermediate School District's financial performance during the year ended June 30, 2021. Please read it in conjunction with the Intermediate School District's financial statements, which immediately follow this section. During the year ended June 30, 2021, the Board of Education approved a change in the Intermediate School District's name from Lewis Cass Intermediate School District to Heritage Southwest Intermediate School District.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Heritage Southwest Intermediate School District financially as a whole. The government-wide financial statements provide information about the activities of the whole Intermediate School District, presenting both an aggregate view of the Intermediate School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the Intermediate School District's operations in more detail than the government-wide financial statements by providing information about the Intermediate School District's most significant funds - the General Fund and the Special Education Fund - with the other funds presented in one column as a nonmajor fund. The remaining statements, the statements of fiduciary net position and changes in fiduciary net position, present financial information about activities for which the Intermediate School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for the General Fund and the Special Education Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Other Supplemental Information

Reporting the Intermediate School District as a Whole - Government-wide Financial Statements

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

Heritage Southwest Intermediate School District

Management's Discussion and Analysis (Continued)

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

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

Reporting the Intermediate School District's Fund Financial Statements

The Intermediate School District's fund financial statements provide detailed information about the most significant funds, not the Intermediate School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the Intermediate School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental Funds

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

Fiduciary Funds

The Intermediate School District has certain fiduciary responsibility for its private purpose trust fund. All of the Intermediate School District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the Intermediate School District's other financial statements because the Intermediate School District cannot use these assets to finance its operations. The Intermediate School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Heritage Southwest Intermediate School District

Management's Discussion and Analysis (Continued)

The Intermediate School District as a Whole

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

	Governmental Activities	
	2021	2020
	(in millions)	
Assets		
Current and other assets	\$ 10.0	\$ 7.8
Capital assets	6.5	6.6
Total assets	16.5	14.4
Deferred Outflows of Resources	6.0	7.2
Liabilities		
Current liabilities	3.0	2.2
Noncurrent liabilities	0.3	0.3
Net pension liability	20.4	19.7
Net OPEB liability	3.2	4.3
Total liabilities	26.9	26.5
Deferred Inflows of Resources	3.3	3.1
Net Position (Deficit)		
Net investment in capital assets	6.4	6.6
Unrestricted	(14.1)	(14.6)
Total net position (deficit)	\$ (7.7)	\$ (8.0)

The above analysis focuses on net position. The change in net position of the Intermediate School District's governmental activities is discussed below. The Intermediate School District's net position was \$(7.7) million at June 30, 2021. Net investment in capital assets totaling \$6.4 million compares the original cost, less depreciation of the Intermediate School District's capital assets, to long-term debt used to finance the acquisition of those assets. The remaining amount of net position (\$(14.1) million) was unrestricted.

The \$(14.1) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of GASB Statement Nos. 68 and 75 (recording the Intermediate School District's share of the net pension and OPEB liabilities from the state-managed retirement system). Unrestricted net position, when available, would enable the Intermediate School District to meet working capital and cash flow requirements and to provide for future uncertainties. The operating results of the General Fund and the change in the net pension/OPEB liabilities will have significant impacts on the change in unrestricted net position (deficit) from year to year.

Heritage Southwest Intermediate School District

Management's Discussion and Analysis (Continued)

The results of this year's operations for the Intermediate School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.7	\$ 0.7
Operating grants	8.9	8.3
General revenue:		
Taxes	4.1	4.0
State aid not restricted to specific purposes	0.3	0.3
Other	0.3	0.8
Total revenue	14.3	14.1
Expenses		
Instruction	3.8	3.7
Support services	9.2	8.9
Food services	0.1	0.1
Community services	0.2	0.5
Interdistrict payments	0.3	0.5
Depreciation expense (unallocated)	0.4	0.3
Total expenses	14.0	14.0
Change in Net Position	0.3	0.1
Net Position (Deficit) - Beginning of year, as restated	(8.0)	(8.1)
Net Position (Deficit) - End of year	\$ (7.7)	\$ (8.0)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$14.0 million. Certain activities were partially funded from those who benefited from the programs (\$0.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.9 million). We paid for the remaining public benefit portion of our governmental activities with \$4.1 million in taxes, \$0.3 million in state foundation allowance, and our other revenue (i.e., interest and general entitlements).

The Intermediate School District experienced an increase in net position of \$0.3 million.

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

The Intermediate School District's Funds

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

As the Intermediate School District completed this year, the governmental funds reported a combined fund balance of \$7.0 million, which is a increase of approximately \$1.4 million from last year.

In the General Fund, our principal operating fund, the fund balance decreased by approximately \$96,000 to \$1.85 million due to a budgeted reduction in fund balance for the current year.

Heritage Southwest Intermediate School District

Management's Discussion and Analysis (Continued)

The fund balance of our special revenue fund increased by approximately \$1.5 million to \$5.1 million this year. The primary reason for the change in fund balance was due to increased federal revenue and a delay in planned capital improvement projects during the year.

General Fund Budgetary Highlights

Over the course of the year, the Intermediate School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2021. A schedule showing the Intermediate School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were no significant variances between the final budget and actual amounts.

Capital Assets

As of June 30, 2021, the Intermediate School District had \$6.5 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$160,000, or 2.5 percent, from last year.

	2021	2020
Land	\$ 60,000	\$ 60,000
Construction in progress	-	2,146,242
Buildings and improvements	8,338,121	6,148,339
Furniture and equipment	724,294	666,163
Buses and other vehicles	1,420,059	1,411,938
	<hr/>	<hr/>
Total capital assets	10,542,474	10,432,682
Less accumulated depreciation	4,090,165	3,815,594
	<hr/>	<hr/>
Total capital assets - Net of accumulated depreciation	<u>\$ 6,452,309</u>	<u>\$ 6,617,088</u>

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

Contacting the Intermediate School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the Intermediate School District's finances and to show the Intermediate School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Heritage Southwest Intermediate School District

Statement of Net Position

June 30, 2021

Governmental
Activities

Assets

Cash and investments (Note 4)	\$ 8,015,116
Receivables - Due from other governments	2,025,076
Capital assets - Net (Note 6)	6,452,309
Total assets	16,492,501

Deferred Outflows of Resources

Deferred pension costs (Note 10)	4,469,246
Deferred OPEB costs (Note 10)	1,558,554
Total deferred outflows of resources	6,027,800

Liabilities

Accounts payable	204,333
Accrued payroll and other liabilities	1,004,199
Unearned revenue (Note 5)	1,833,195
Noncurrent liabilities:	
Due within one year (Note 7)	13,223
Due in more than one year (Note 7)	258,554
Net pension liability (Note 10)	20,414,377
Net OPEB liability (Note 10)	3,231,502
Total liabilities	26,959,383

Deferred Inflows of Resources

Revenue in support of pension contributions made subsequent to the measurement date (Note 10)	786,815
Deferred pension cost reductions (Note 10)	61,511
Deferred OPEB cost reductions (Note 10)	2,413,300
Total deferred inflows of resources	3,261,626

Net Position (Deficit)

Net investment in capital assets	6,424,836
Unrestricted	(14,125,544)
Total net position (deficit)	<u>\$ (7,700,708)</u>

Heritage Southwest Intermediate School District

Statement of Activities

Year Ended June 30, 2021

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 3,831,241	\$ 585,197	\$ 2,667,643	\$ (578,401)
Support services	9,216,360	91,505	6,224,501	(2,900,354)
Food services	9,950	-	-	(9,950)
Community services	214,142	-	-	(214,142)
Interdistrict payments	295,899	-	-	(295,899)
Depreciation expense (unallocated) (Note 6)	407,038	-	-	(407,038)
Total primary government	\$ 13,974,630	\$ 676,702	\$ 8,892,144	(4,405,784)
General revenue:				
Property taxes levied for general and special education purposes				4,129,946
State aid not restricted to specific purposes				332,844
Interest and investment earnings				2,555
Penalties, interest, and other taxes				31,076
Gain on sale of capital assets				29,687
Other				186,946
Total general revenue				4,713,054
Change in Net Position				307,270
Net Position (Deficit) - Beginning of year				(8,007,978)
Net Position (Deficit) - End of year				\$ (7,700,708)

Heritage Southwest Intermediate School District

Governmental Funds Balance Sheet

June 30, 2021

	General Fund	Special Education Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 4)	\$ 3,179,204	\$ 4,783,145	\$ 52,767	\$ 8,015,116
Receivables - Due from other governments	757,339	1,267,737	-	2,025,076
Total assets	\$ 3,936,543	\$ 6,050,882	\$ 52,767	\$ 10,040,192
Liabilities				
Accounts payable	\$ 65,644	\$ 132,805	\$ 5,884	\$ 204,333
Accrued payroll and other liabilities	208,590	795,609	-	1,004,199
Unearned revenue (Note 5)	1,815,282	17,913	-	1,833,195
Total liabilities	2,089,516	946,327	5,884	3,041,727
Fund Balances				
Restricted:				
Special education (Note 11)	-	5,104,555	-	5,104,555
Food service	-	-	13,103	13,103
Committed - Student activities	-	-	33,780	33,780
Assigned - Budgeted use of fund balance in subsequent year	142,782	-	-	142,782
Unassigned	1,704,245	-	-	1,704,245
Total fund balances	1,847,027	5,104,555	46,883	6,998,465
Total liabilities and fund balances	\$ 3,936,543	\$ 6,050,882	\$ 52,767	\$ 10,040,192

Heritage Southwest Intermediate School District

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

Fund Balances Reported in Governmental Funds	\$ 6,998,465
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 are not reported in the funds:	
Cost of capital assets	10,542,474
Accumulated depreciation	<u>(4,090,165)</u>
Net capital assets used in governmental activities	6,452,309
Capital lease obligations are not due and payable in the current period and are not reported in the funds	(27,473)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(244,304)
Net pension liability and related deferred inflows and outflows	(16,006,642)
Net OPEB liability and related deferred inflows and outflows	(4,086,248)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(786,815)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (7,700,708)</u></u>

Heritage Southwest Intermediate School District

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

	General Fund	Special Education Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 666,620	\$ 4,567,788	\$ 3,473	\$ 5,237,881
State sources	2,693,265	3,189,942	-	5,883,207
Federal sources	350,639	2,315,560	-	2,666,199
Interdistrict sources	-	585,197	-	585,197
Total revenue	3,710,524	10,658,487	3,473	14,372,484
Expenditures				
Current:				
Instruction	1,063,920	2,492,689	-	3,556,609
Support services	2,333,741	6,317,521	2,979	8,654,241
Food services	-	-	9,950	9,950
Community services	204,779	-	-	204,779
Capital outlay	12,195	243,527	-	255,722
Interdistrict payments	191,609	104,290	-	295,899
Total expenditures	3,806,244	9,158,027	12,929	12,977,200
Excess of Revenue (Under) Over Expenditures	(95,720)	1,500,460	(9,456)	1,395,284
Other Financing Sources - Proceeds from sale of capital assets	-	43,150	-	43,150
Net Change in Fund Balances	(95,720)	1,543,610	(9,456)	1,438,434
Fund Balances - Beginning of year	1,942,747	3,560,945	56,339	5,560,031
Fund Balances - End of year	<u>\$ 1,847,027</u>	<u>\$ 5,104,555</u>	<u>\$ 46,883</u>	<u>\$ 6,998,465</u>

Heritage Southwest Intermediate School District

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$ 1,438,434
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, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	255,722
Depreciation expense	(407,038)
Net book value of assets disposed of	(13,463)
Revenue in support of pension contributions made subsequent to the measurement date	(120,271)
Repayment of capital lease is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	12,271
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(858,385)
Change in Net Position of Governmental Activities	<u>\$ 307,270</u>

Heritage Southwest Intermediate School District

Fiduciary Fund Statement of Fiduciary Net Position

June 30, 2021

Private Purpose
Trust Fund

Assets - Cash (Note 4)

\$ 37,299

Liabilities

-

Net Position - Held for scholarships

\$ 37,299

Heritage Southwest Intermediate School District

Fiduciary Fund Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	<u>Private Purpose Trust Fund</u>
Additions - Investment income	\$ 9,123
Deductions	
Distributions	1,185
Administrative fees	<u>362</u>
Total deductions	<u>1,547</u>
Net Increase in Fiduciary Net Position	7,576
Net Position - Held for scholarships - Beginning of year	<u>29,723</u>
Net Position - Held for scholarships - End of year	<u><u>\$ 37,299</u></u>

June 30, 2021

Note 1 - Nature of Business

Heritage Southwest Intermediate School District (the "Intermediate School District") is an intermediate school district in the state of Michigan that provides educational services to students. During the year ended June 30, 2021, the Board of Education approved a change in the Intermediate School District's name from Lewis Cass Intermediate School District to Heritage Southwest Intermediate School District.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

Heritage Southwest Intermediate School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Intermediate School District:

Reporting Entity

The Intermediate School District is governed by an elected five-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements.

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

June 30, 2021

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

The Intermediate School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Intermediate School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Intermediate School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Special Education Fund is used to record all transactions associated with special education programs administered by the Intermediate School District, as well as payments to local districts within the Intermediate School District to fund special education activities. These programs are funded primarily by taxes, state aid categoricals, Medicaid funding, and federal grants.

Additionally, the Intermediate School District reports the following nonmajor governmental fund type:

- Special revenue funds (nonmajor) - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The Intermediate School District's special revenue funds are the Food Service and the Student Activity funds. Revenue sources for the Food Service Fund include sales to customer and dedicated grants from federal sources. Revenue sources for the Student Activity Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by the Food Service Fund will be covered by the Special Education Fund, and any operating deficit generated by the Student Activity Fund is the responsibility of the General Fund.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the Intermediate School District's programs. The Intermediate School District maintains a private purpose trust fund used to account for resources legally held in trust used for scholarship awards.

Interfund Activity

During the course of operations, the Intermediate School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Note 2 - Significant Accounting Policies (Continued)

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Intermediate School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and OPEB or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Intermediate School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Investments

Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, except for investments in external investment pools, which are valued at amortized cost.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment and furniture, and buses and other vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Intermediate School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repairs and maintenance that do not add to the value or materially extend asset life are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Asset Class	Depreciable Life - Years
Buildings and improvements	5-50
Furniture and equipment	5-20
Buses and other vehicles	5-10

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

It is the Intermediate School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the Intermediate School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Intermediate School District reports deferred outflows related to deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The Intermediate School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan costs.

Net Position

Net position of the Intermediate School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The Intermediate School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Intermediate School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Intermediate School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Intermediate School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Intermediate School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Intermediate School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the Intermediate School District that can, by prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Intermediate School District has, by resolution, authorized the finance director to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The fund balance policy prescribes the minimum fund balance as 10 percent of the preceding year's expenditures in the General Fund. This is deemed to be the prudent amount to maintain the Intermediate School District's ability to meet obligations as they come due throughout the year.

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. Tax collections are forwarded to the Intermediate School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the Intermediate School District by June 30. The Intermediate School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

The Intermediate School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Note 2 - Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Use of Estimates

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

Upcoming Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Intermediate School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Intermediate School District's financial statements for the year ended June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 8, 2021, which is the date the financial statements were available to be issued.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund or function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Intermediate School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Intermediate School District adjusted budgeted amounts during the year in response to changes in student counts, property tax values, and other economic conditions.

June 30, 2021

Note 3 - Stewardship, Compliance, and Accountability (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Intermediate School District did not have significant expenditure budget variances.

Note 4 - Deposits and Investments

State statutes and the Intermediate School District's investment policy authorize the Intermediate School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Intermediate School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Intermediate School District's deposits are in accordance with statutory authority.

The Intermediate School District has designated three financial institutions for the deposit and investment of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost, except for a 14-day redemption limitation on MILAF MAX Class funds.

The Intermediate School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Intermediate School District's deposits may not be returned to it. The Intermediate School District does not have a deposit policy for custodial credit risk. At year end, the Intermediate School District had \$4,266,927 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Intermediate School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Intermediate School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Intermediate School 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 Intermediate School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by the Board of Education's policy, as referred to above. At June 30, 2021, no investments were subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Intermediate School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The Intermediate School District will assess and control interest rate risk by specific identification and duration.

June 30, 2021

Note 4 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Intermediate School District's policy does not further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Michigan Liquid Asset Fund - MAX Class	\$ 2,929,991	AAAm	Standards & Poor's
Michigan CLASS Investment Pool	700,372	AAAm	Standards & Poor's

Concentration of Credit Risk

Investments in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of available reserves. Investments in other types of authorized securities may be made with the provision that no more than 50 percent of the total current portfolio consists of one type of security. The Intermediate School District does not have any investments subject to concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the Intermediate School District's investment policy prohibit investments in foreign currency.

Fair Value Measurements

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

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

The Intermediate School District has the following recurring fair value measurements as of June 30, 2021:

- \$700,372 invested in Michigan CLASS investment pool measured at fair value using net asset value per share.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the table below.

Investments in Entities that Calculate Net Asset Value per Share

The Intermediate School District holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

Note 4 - Deposits and Investments (Continued)

At the year ended June 30, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Carrying Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Michigan CLASS Investment Pool	\$ 700,372	\$ -	N/A	None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high grade commercial paper (rated "A 1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2021, the Intermediate School District had no unavailable revenue and \$1,833,195 of unearned revenue, primarily related to grant and categorical aid payments received prior to meeting all eligibility requirements.

Heritage Southwest Intermediate School District

Notes to Financial Statements

June 30, 2021

Note 6 - Capital Assets

Capital asset activity of the Intermediate School District's governmental activities was as follows:

Governmental Activities

	Balance July 1, 2020	Reclassifications	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
Construction in progress	2,146,242	(2,146,242)	-	-	-
Subtotal	2,206,242	(2,146,242)	-	-	60,000
Capital assets being depreciated:					
Buildings and improvements	6,148,339	2,146,242	43,540	-	8,338,121
Furniture and equipment	666,163	-	58,131	-	724,294
Buses and other vehicles	1,411,938	-	154,051	(145,930)	1,420,059
Subtotal	8,226,440	2,146,242	255,722	(145,930)	10,482,474
Accumulated depreciation:					
Buildings and improvements	2,279,869	-	235,392	-	2,515,261
Furniture and equipment	589,528	-	32,760	-	622,288
Buses and other vehicles	946,197	-	138,886	(132,467)	952,616
Subtotal	3,815,594	-	407,038	(132,467)	4,090,165
Net capital assets being depreciated	4,410,846	2,146,242	(151,316)	(13,463)	6,392,309
Net governmental activities capital assets	<u>\$ 6,617,088</u>	<u>\$ -</u>	<u>\$ (151,316)</u>	<u>\$ (13,463)</u>	<u>\$ 6,452,309</u>

Depreciation expense was not charged to activities, as the Intermediate School District considers its assets to benefit multiple activities and allocation to be impractical.

Note 7 - Long-term Debt

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Capital leases (Note 8)	\$ 39,744	\$ -	\$ (12,271)	\$ 27,473	\$ 13,223
Compensated absences	227,525	16,779	-	244,304	-
Total governmental activities long-term debt	<u>\$ 267,269</u>	<u>\$ 16,779</u>	<u>\$ (12,271)</u>	<u>\$ 271,777</u>	<u>\$ 13,223</u>

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

Note 8 - Capital Leases

Capital Leases

The Intermediate School District has entered into a lease agreement as lessee for financing the purchase of copier equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The total original capital lease liability is \$62,860, with an interest rate of 7.5 percent and quarterly principal and interest payments of \$3,732. The cost and related accumulated depreciation on the capital lease is included within capital assets and further disclosed within Note 6. The future minimum lease obligations and the net present value are as follows:

Years Ending	Amount
2022	\$ 14,928
2023	14,928
Total	29,856
Less amount representing interest	2,383
Present value	<u>\$ 27,473</u>

Note 9 - Risk Management

The Intermediate School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Intermediate School District participates in the MASB-SEG Property and Casualty Pool and the SEG Self-Insurer Workers' Compensation Fund shared-risk programs for claims relating to property/casualty and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the Intermediate School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Michigan Public School Employees' Retirement System

Plan Description

The Intermediate School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Intermediate School District. Certain intermediate school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

June 30, 2021

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the Intermediate School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

June 30, 2021

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent 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 health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The Intermediate School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The Intermediate School District's required and actual pension contributions to the plan for the year ended June 30, 2021 were \$1,948,174, which include the Intermediate School District's contributions required for those members with a defined contribution benefit. The Intermediate School District's required and actual pension contributions include an allocation of \$786,815 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2021.

The Intermediate School District's required and actual OPEB contributions to the plan for the year ended June 30, 2021 were \$502,784, which include the Intermediate School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2021, the Intermediate School District reported a liability of \$20,414,377 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The Intermediate School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the Intermediate School District's proportion was 0.05943 and 0.05944 percent, respectively, representing a change of (0.02) percent.

June 30, 2021

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Net OPEB Liability

At June 30, 2021, the Intermediate School District reported a liability of \$3,231,502 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2021 was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The Intermediate School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the Intermediate School District's proportion was 0.06032 and 0.06034 percent, respectively, representing a change of (0.03) percent.

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

For 2021, the Intermediate School District recognized pension expense of \$3,127,695, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021, the Intermediate School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 311,915	\$ (43,571)
Changes in assumptions	2,262,110	-
Net difference between projected and actual earnings on pension plan investments	85,772	-
Changes in proportion and differences between the Intermediate School District's contributions and proportionate share of contributions	206,282	(17,940)
The Intermediate School District's contributions to the plan subsequent to the measurement date	1,603,167	-
Total	<u>\$ 4,469,246</u>	<u>\$ (61,511)</u>

The \$786,815 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2022	\$ 1,328,537
2023	889,054
2024	450,302
2025	136,675
Total	<u>\$ 2,804,568</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2021, the Intermediate School District recognized OPEB recovery of \$50,014.

June 30, 2021

Note 10 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2021, the Intermediate School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (2,407,771)
Changes in assumptions	1,065,491	-
Net difference between projected and actual earnings on OPEB plan investments	26,971	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	115,843	(5,529)
Employer contributions to the plan subsequent to the measurement date	350,249	-
Total	\$ 1,558,554	\$ (2,413,300)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2022	\$ (317,847)
2023	(280,330)
2024	(234,909)
2025	(203,688)
2026	(168,221)
Total	\$ (1,204,995)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2020 are based on the results of an actuarial valuation as of September 30, 2019 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.00%	Year 1 graded to 3.5% year 15, 3.0% year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

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

June 30, 2021

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Significant assumption changes since the prior measurement date, September 30, 2019, for the OPEB plan include a reduction in the health care cost trend rate of 0.50 percentage points and the actual per person health benefit costs were lower than projected. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2020 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.60 %
Private equity pools	16.00	9.30
International equity pools	15.00	7.40
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	4.90
Absolute return pools	9.00	3.20
Real return/opportunistic pools	12.50	6.60
Short-term investment pools	2.00	(0.10)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.1 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Intermediate School District, calculated using the discount rate depending on the plan option. The following also reflects what the Intermediate School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the Intermediate School District \$	26,422,949	20,414,377	15,434,611

June 30, 2021

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Intermediate School District, calculated using the current discount rate. It also reflects what the Intermediate School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the Intermediate School District	\$ 4,151,232	\$ 3,231,502	\$ 2,457,167

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the Intermediate School District	\$ 2,457,519	\$ 3,231,502	\$ 4,145,934

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2021, the Intermediate School District reported a payable of \$180,923 and \$43,300 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

Note 11 - Restricted Fund Balance

The Special Education Fund fund balance is restricted. Identified uses of the fund balance at June 30, 2021 include the following:

Capital projects	\$ 1,000,000
Special education - General	4,104,555
Total	<u>\$ 5,104,555</u>

Note 12 - Tax Abatements

The Intermediate School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the Intermediate School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2021, the Intermediate School District's property tax revenue was reduced by approximately \$9,400 under these programs.

June 30, 2021

Note 12 - Tax Abatements (Continued)

The Intermediate School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The Intermediate School District received approximately \$8,500 in reimbursements from the State of Michigan.

Required Supplemental Information

Heritage Southwest Intermediate School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 868,145	\$ 716,237	\$ 666,620	\$ (49,617)
State sources	2,296,300	2,885,292	2,693,265	(192,027)
Federal sources	121,442	378,239	350,639	(27,600)
Other	8,900	-	-	-
Total revenue	3,294,787	3,979,768	3,710,524	(269,244)
Expenditures				
Current:				
Instruction	756,780	1,147,773	1,063,920	(83,853)
Support services:				
Pupil	440,245	625,210	571,962	(53,248)
Instructional staff	902,917	1,024,275	916,945	(107,330)
General administration	372,963	412,379	397,470	(14,909)
Business	195,627	211,182	171,198	(39,984)
Operations and maintenance	140,100	129,415	101,838	(27,577)
Pupil transportation services	20,874	37,536	36,946	(590)
Central	59,854	143,222	137,382	(5,840)
Community services	155,760	234,204	204,779	(29,425)
Capital outlay	-	12,195	12,195	-
Interdistrict payments	420,509	206,627	191,609	(15,018)
Total expenditures	3,465,629	4,184,018	3,806,244	(377,774)
Net Change in Fund Balance	(170,842)	(204,250)	(95,720)	108,530
Fund Balance - Beginning of year	1,942,747	1,942,747	1,942,747	-
Fund Balance - End of year	\$ 1,771,905	\$ 1,738,497	\$ 1,847,027	\$ 108,530

Heritage Southwest Intermediate School District

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Special Education

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 4,359,860	\$ 4,547,184	\$ 4,567,788	\$ 20,604
State sources	3,006,834	3,158,615	3,189,942	31,327
Federal sources	2,157,083	2,310,362	2,315,560	5,198
Interdistrict sources	515,000	578,326	585,197	6,871
Total revenue	10,038,777	10,594,487	10,658,487	64,000
Expenditures				
Current:				
Instruction	2,722,229	2,607,559	2,492,689	(114,870)
Support services:				
Pupil	3,082,650	3,171,242	3,119,655	(51,587)
Instructional staff	624,930	634,403	607,083	(27,320)
General administration	168,369	198,853	162,679	(36,174)
School administration	86,211	91,349	94,265	2,916
Business	395,242	444,756	379,803	(64,953)
Operations and maintenance	483,120	509,655	481,479	(28,176)
Pupil transportation services	1,592,694	1,349,559	1,182,137	(167,422)
Central	308,619	340,619	290,420	(50,199)
Capital outlay	144,100	229,945	243,527	13,582
Interdistrict payments	121,000	108,785	104,290	(4,495)
Total expenditures	9,729,164	9,686,725	9,158,027	(528,698)
Excess of Revenue Over Expenditures	309,613	907,762	1,500,460	592,698
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	43,150	43,150
Transfers out	(50,000)	-	-	-
Total other financing (uses) sources	(50,000)	-	43,150	43,150
Net Change in Fund Balance	259,613	907,762	1,543,610	635,848
Fund Balance - Beginning of year	3,560,945	3,560,945	3,560,945	-
Fund Balance - End of year	<u>\$ 3,820,558</u>	<u>\$ 4,468,707</u>	<u>\$ 5,104,555</u>	<u>\$ 635,848</u>

Heritage Southwest Intermediate School District

Required Supplemental Information Schedule of Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Seven Plan Years						
	Plan Years Ended September 30						
	2020	2019	2018	2017	2016	2015	2014
Intermediate School District's proportion of the net pension liability	0.05943 %	0.05944 %	0.05906 %	0.05785 %	0.05590 %	0.05707 %	0.53420 %
Intermediate School District's proportionate share of the net pension liability	\$ 20,414,377	\$ 19,684,632	\$ 17,754,499	\$ 14,991,008	\$ 13,942,643	\$ 13,939,392	\$ 11,767,633
Intermediate School District's covered payroll	\$ 5,373,500	\$ 5,289,187	\$ 5,107,168	\$ 4,973,542	\$ 4,686,930	\$ 4,721,120	\$ 4,520,410
Intermediate School District's proportionate share of the net pension liability as a percentage of its covered payroll	379.91 %	372.17 %	347.64 %	301.42 %	297.48 %	295.26 %	260.32 %
Plan fiduciary net position as a percentage of total pension liability	59.49 %	60.08 %	62.12 %	63.96 %	63.27 %	63.17 %	66.20 %

Heritage Southwest Intermediate School District

Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	Last Seven Fiscal Years						
	Years Ended June 30						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 1,870,299	\$ 1,689,717	\$ 1,594,034	\$ 1,477,097	\$ 954,183	\$ 1,312,550	\$ 949,212
Contributions in relation to the statutorily required contribution	<u>1,870,299</u>	<u>1,689,717</u>	<u>1,594,034</u>	<u>1,477,097</u>	<u>954,183</u>	<u>1,312,550</u>	<u>949,212</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Intermediate School District's Covered Payroll	\$ 5,556,735	\$ 5,399,873	\$ 5,169,206	\$ 5,053,643	\$ 5,112,956	\$ 4,531,649	\$ 4,768,740
Contributions as a Percentage of Covered Payroll	33.66 %	31.29 %	30.84 %	29.23 %	18.66 %	28.96 %	19.90 %

Heritage Southwest Intermediate School District

Required Supplemental Information Schedule of Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

	Last Four Plan Years Plan Years Ended September 30			
	2020	2019	2018	2017
Intermediate School District's proportion of the net OPEB liability	0.06032 %	0.06034 %	0.05989 %	0.05789 %
Intermediate School District's proportionate share of the net OPEB liability	\$ 3,231,502	\$ 4,330,943	\$ 4,760,465	\$ 5,126,493
Intermediate School District's covered payroll	\$ 5,373,500	\$ 5,289,187	\$ 5,107,168	\$ 4,973,542
Intermediate School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.14 %	81.88 %	93.21 %	103.08 %
Plan fiduciary net position as a percentage of total OPEB liability	59.76 %	48.67 %	43.10 %	36.53 %

Heritage Southwest Intermediate School District

Required Supplemental Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

	Last Four Fiscal Years Years Ended June 30			
	2021	2020	2019	2018
Statutorily required contribution	\$ 462,418	\$ 433,912	\$ 406,042	\$ 362,315
Contributions in relation to the statutorily required contribution	462,418	433,912	406,042	362,315
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -
Intermediate School District's Covered Payroll	\$ 5,556,735	\$ 5,399,873	\$ 5,169,206	\$ 5,053,643
Contributions as a Percentage of Covered Payroll	8.32 %	8.04 %	7.86 %	7.17 %

June 30, 2021

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

Heritage Southwest Intermediate School District

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Student Activity	
Assets - Cash and investments	\$ 18,987	\$ 33,780	\$ 52,767
Liabilities	\$ 5,884	\$ -	\$ 5,884
Fund Balances			
Restricted - Food service	13,103	-	13,103
Committed - Student activities	-	33,780	33,780
Total fund balances	13,103	33,780	46,883
Total liabilities and fund balances	\$ 18,987	\$ 33,780	\$ 52,767

Heritage Southwest Intermediate School District

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances
Nonmajor Governmental Funds

Year Ended June 30, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Student Activities	
Revenue - Local sources	\$ -	\$ 3,473	\$ 3,473
Expenditures			
Current:			
Support services	-	2,979	2,979
Food services	9,950	-	9,950
Total expenditures	9,950	2,979	12,929
Net Change in Fund Balances	(9,950)	494	(9,456)
Fund Balances - Beginning of year	23,053	33,286	56,339
Fund Balances - End of year	\$ 13,103	\$ 33,780	\$ 46,883