NEGAUNEE PUBLIC SCHOOLS
NEGAUNEE, MICHIGAN

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

TABLE OF CONTENTS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTAL INFORMATION

OTHER SUPPLEMENTAL INFORMATION

COMPLIANCE SECTION

COMMUNICATIONS SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 Phone: (906) 225-1166 www.atccpa.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Negaunee Public Schools
101 South Pioneer Avenue, Suite 1
Negaunee, Michigan 49866

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 Negaunee Public Schools (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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 opinions.

Opinions

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

Change in Accounting Principle

As described in Note Z to the financial statements, in fiscal year 2019-2020, the School District adopted new accounting guidance, GASB No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Other Supplemental Information, as listed in the table of contents, is presented for purposes 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.

Board of Education of the
Negaunee Public Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the School District's internal control over financial reporting and compliance.

Anderson, Tackman & Company
Certified Public Accountants

October 28, 2020

Negaunee Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Negaunee Public Schools (the School District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2020. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for the School District was reported at ($16,412,766). Net position is comprised of 100% governmental activities.

- During the year, the School District expenses were $19,763,270, while revenues from all sources totaled $18,341,189, resulting in a change in net position of ($1,422,081) prior to the extraordinary items. During the year the School District received insurance reimbursements of $1,657,321 from the bus garage damage, which is reported as an extraordinary item, resulting in a change in net position of $235,240 after extraordinary items.

- The General Fund reported an increase of $243,461 before other financing sources (uses) and a total increase of $14,580. This is $629,477 or 102% more than the forecasted loss of $614,897. This was the result of revenues being $602,159 more than forecasted, expenditures being $25,036 less than forecasted, other financing sources being $3,461 more than forecasted, and other financing uses being $1,179 more than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* Statement of Net Position and the Statement of Activities, as listed in the table of contents, provide information about the activities of the School District as a whole and presents a longer-term view of those finances. The fund financial statements present the next level of detail and start as listed in the table of contents. 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 also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant fund, as listed in the footnotes to the financial statements, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the School District as a whole begins below. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in it. The School District's net position – the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position – as reported in the Statement of Activities – is an indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on the pages below. The fund financial statements begin as listed in the table of contents and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District has only governmental funds which use the following accounting method.

- *Governmental Funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The School District as a Whole

Table 1 provides a summary of the School District's net position as of June 30, 2020 and 2019:

Table 1
Net Position

	Governmental Activities 2020	Governmental Activities 2019
Current and other assets	$6,452,256	$6,093,417
Capital assets, net	14,216,922	12,431,689
Total Assets	20,669,178	18,525,106
Deferred outflows of resources	10,872,267	10,687,117
Current liabilities	1,034,615	1,170,187
Long-term liabilities	42,058,750	40,036,138
Total Liabilities	43,093,365	41,206,325
Deferred inflows of resources	4,860,846	5,007,728
Net Position:		
Net investment in capital assets	10,431,922	8,436,689
Restricted	1,167,048	1,526,612
Unrestricted	(28,011,736)	(26,965,131)
Total Net Position	($16,412,766)	($17,001,830)

The School District's net position was ($16,412,766) at June 30, 2020. Net investment in capital assets totaling $10,431,922, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the School District's ability to use the net position for day-to-day operations. The remaining amount of net position of ($28,011,736) was unrestricted.

The ($28,011,736) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2020 and 2019.

Table 2
Statement of Activities

	Governmental Activities 2020	Governmental Activities 2019
Revenues:		
Program Revenues:		
Charges for services	$1,357,581	$1,437,761
Operating grants and contributions	3,826,861	3,186,216
Capital grants and contributions	-	-
General Revenues:		
Property taxes	3,081,664	2,862,202
State sources not restricted to specific program	9,925,356	10,132,112
Contributions and other unrestricted grants	-	-
Gain (Loss) on sale of capital assets	(3,700)	-
Interest and investment earnings	52,481	66,900
Miscellaneous	100,946	72,580
Total Revenues	18,341,189	17,757,771
Program Expenses:		
Instruction	12,036,592	10,590,246
Supporting services	5,412,715	5,305,383
Community services	-	-
Payments to other governments	-	-
Facilities acquisition	287,696	115,725
School lunch activities	370,844	450,381
Athletic activities	365,975	394,919
Student activities	238,882	-
Interest on long-term debt	77,518	88,208
Depreciation – unallocated	973,048	801,891
Total Expenses	19,763,270	17,746,753
Increase (decrease) in net position	(1,422,081)	11,018
Extraordinary items	1,657,321	545,219
Increase (decrease) in net position after extraordinary items	235,240	556,237
Net position, beginning	(17,001,830)	(17,558,067)
Prior period adjustment	353,824	-
Neg position, beginning, as restated	(16,648,006)	(17,558,067)
Net Position, Ending	($16,412,766)	($17,001,830)

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $19,763,270. Certain activities were partially funded from those who benefited from the programs in the amount of $1,357,581 or by other governments and organizations that subsidized certain programs with grants and categoricals in the amount of $3,826,861. We paid for the remaining "public benefit" portion of our governmental activities with $3,081,664 in taxes, $9,925,356 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

On February 24, 2019, the roof of the School District's bus garage collapsed and totaled the building along with the entire bus fleet. During the year, the School District received the remaining insurance reimbursements. Due to the unusual nature of this event the insurance proceeds are presented on the Statement of Activities after the general revenues section as an extraordinary item. Further information on the event can be found in the notes to the financial statements.

The School District experienced an increase in net position for the year of $235,240. The key changes in the net position were the result of:

- Change in fund balance of governmental funds of $139,187
- Depreciation expense of ($973,048)
- Current year capital asset purchases of $2,764,781
- Net book value of disposed assets of ($6,500)
- Proceeds from borrowing totaling $-0-
- Repayment of bond principal of $210,000
- Change in net pension liability and related of ($2,369,603)
- Change in net OPEB liability and related of $490,873
- Unamortized bond premiums of $41,724
- Deferred amounts on refunding of $39,333
- Change in accrued interest on long term debt of $1,400
- Change in compensated absences of ($102,907)

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost (Benefit) of Services
Instruction	$12,036,592	$7,742,443
Supporting services	5,412,715	5,373,074
School lunch activities	370,844	(54,298)

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

The School District's Funds

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

As the School District completed the year, its governmental funds (as presented in the balance sheet as listed in the table of contents) reported a combined fund balance of $5,442,874, an increase of $139,187 from the beginning of the year.

During the annual School election in June of 2008, and a renewal in August of 2012, the residents of the School District renewed a proposal to establish a Sinking Fund to be used as allowed by law. In August of 2017, the residents of the School District approved a new sinking fund millage allowing the purchase of school security improvements and the acquisition or upgrading of technology and all other purposes authorized by law.

For the 2019-2020 school year, $778,343 in revenues were collected from the millage assessed for this purpose.

General Fund Budgetary Highlights

Over the course of the year, the Board of Education revises the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. Accordingly, the Board of Education amended the budgets in January and again in June.

A detailed schedule showing the 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. A summary of this information is provided below:

BUDGETED REVENUES

General Fund revenues changed from original to final budget during the year as follows:

	Revenues		Increase / (Decrease)	
	Original Budget	Final Budget	Amount	Percentage
Total revenues	$15,772,820	$17,352,159	$1,579,339	10.01%

A majority of the change between the original and final budget had to do with State sources and insurance proceeds due to the bus garage collapse. There were also smaller changes to local and federal revenues. Local revenues were adjusted during the year to account for actual revenues being received by local sources including, but not limited to, property taxes, local grants, and private contributions. Federal revenues were adjusted during the year to account for actual grant revenues received and expected to be received.

BUDGETED EXPENDITURES

General Fund expenditures changed from the original to final budget during the year as follows:

	Expenditures		Increase / (Decrease)	
	Original Budget	Final Budget	Amount	Percentage
Total expenditures	$15,483,857	$17,735,893	$2,252,036	14.54%

Budgeted expenditures were increased during the year to accommodate actual costs being incurred by the School District. A majority of the change relates to costs associated with pupil instruction and facilities acquisition. The Board of Education adjusts expenditures based on anticipated costs associated with grants received via Local, State, and Federal sources. This accounts for a majority of the change. There were also slight changes related to pupil services and transportation.

ACTUAL REVENUES

The General Fund actual revenues differed from the final budget as follows:

	Revenues		Variance Positive / (Negative)	
	Final Budget	Actual	Amount	Percentage
Total revenues	$17,352,159	$17,954,318	$602,159	3.47%

Total actual revenues came in higher than the final budget because the revenue from local, State, and federal, sources came in higher than expected.

ACTUAL EXPENDITURES

The General Fund actual expenditures differed from the final budget as follows:

	Expenditures		Variance Positive / (Negative)	
	Final Budget	Actual	Amount	Percentage
Total expenditures	$17,735,893	$17,710,857	$25,036	0.14%

Total actual expenditures came in lower than the final budget because the total cost of instruction and supporting services was less than anticipated while facilities acquisition was higher than expected.

<u>Enrollment</u>

The School District's 2019-20 State aid blended membership enrollment from the fall count totaled 1,561. This is a decrease of 21 students from the previous year. While the School District has experienced a recent increase in enrollment, we anticipate a leveling off in coming years. The School District is located in Michigan's Upper Peninsula, which is currently experiencing an economic recovery. There is potential for the re-opening of the Empire Mine which would have a positive impact on the local economy. We expect this economic recovery to continue through the next school year.

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

Fiscal Year	(Fall) Student FTE	Increase (Decrease) in Student Enrollment (FTE)
2019-2020	1,561	(21)
2018-2019	1,582	58
2017-2018	1,524	12
2016-2017	1,512	(2)
2015-2016	1,514	29

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

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the School District had $14,216,922 invested in a variety of capital assets including land, construction in progress, land improvements, buildings, equipment and furnishings, and school buses. (See Table 4 below).

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities 2020	Governmental Activities 2019
Land	$92,536	$92,536
Construction in progress	56,860	11,437
Land improvements	816,532	834,594
Buildings and additions	11,795,555	10,786,348
Equipment and furniture	692,583	465,833
School buses	762,856	240,941
Total	$14,216,922	$12,431,689

This year's additions include security upgrades at the High School, Middle School, and Elementary School. Additions also include the purchase of fifteen busses (all of which were destroyed when the roof of the bus garage collapsed). At Lakeview Elementary School the bleacher replacement project was completed during the year. Improvements at the Middle School included the replacement of a boiler and water heaters. The bus garage was completed and work on the auto shop began.

In February 2019, the School District experienced an "act of God" when the roof of the bus garage collapsed due to the amount of weight on the metal roof during unusual weather conditions. The snow accumulated on the roof was warmed and then temperatures dropped severely resulting in excessive weight load on the roof when the heavy, wet snow froze. During the collapse all busses were totaled. As a result, the bus garage with a net book value of approximately $46,000 and all busses with a net book value totaling approximately $351,000 were disposed of during the current year. The School District also expended approximately $108,000 to demolish the remnants of the building, which was reimbursed by insurance.

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

Debt

At June 30, 2020, the School District had $3,785,000 in outstanding debt as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities 2020	Governmental Activities 2019
General obligation bonds	$3,785,000	$3,995,000
Notes payable	-	-
Total	$3,785,000	$3,995,000

We present more detailed information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2021 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2021 fiscal year budget was adopted in June 2020, based on an estimate of students that will be enrolled in October 2020. Approximately 75 % to 80 % of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2020-2021 school year, we anticipate that the fall student count will be less than the estimates used in creating the 2021 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Negaunee Public Schools Administration, 101 South Pioneer Avenue, Suite 1, Negaunee, Michigan, 49866.

Negaunee Public Schools

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 770,632
Investments	2,785,176
Receivables:	
Accounts receivable	-
Due from other governmental units	2,658,078
Inventories	6,083
Prepaid expenses	232,287
Non-current Assets:	
Capital Assets:	
Land and construction in progress	149,396
Other capital assets, net	14,067,526
TOTAL ASSETS	20,669,178
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to proportionate share of net pension liability	6,334,614
District's contributions made subsequent to pension measurement date	2,369,400
Deferred outflows related to proportionate share of net OPEB liability	1,612,833
District's contributions made subsequent to OPEB measurement date	555,420
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,872,267
LIABILITIES	
Current Liabilities:	
Accounts payable	9,096
Accrued liabilities	602,288
Accrued interest payable	25,233
State aid notes payable	-
Due to other governmental units	247,740
Unearned grant revenue	150,258
Non-current Liabilities:	
Portion due or payable within one year	
Notes payable	-
Bonds payable	230,000
Employee benefit obligations	40,000
Portion due or payable after one year	
Notes payable	-
Bonds payable	3,555,000
Premium on bonds	417,240
Employee benefit obligations	268,523
Proportionate share of net pension liability	30,809,955
Proportionate share of net OPEB liability	6,738,032
TOTAL LIABILITIES	43,093,365
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding	432,668
Deferred inflows related to proportionate share of net pension liability	1,585,922
Deferred inflows related to proportionate share of net OPEB liability	2,842,256
TOTAL DEFERRED INFLOWS OF RESOURCES	4,860,846
NET POSITION	
Net investment in capital assets	10,431,922
Restricted	1,167,048
Unrestricted	(28,011,736)
TOTAL NET POSITION	$ (16,412,766)

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

Negaunee Public Schools

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Function / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 12,036,592	$ 986,668	$ 3,307,481	$ -	$ (7,742,443)
Supporting services	5,412,715	29,641	10,000	-	(5,373,074)
Community services	-	-	-	-	-
Payments to other governments	-	-	-	-	-
Facilities acquisition	287,696	-	-	-	(287,696)
School lunch activities	370,844	139,171	285,971	-	54,298
Athletic activities	365,975	202,101	-	-	(163,874)
Student activities	238,882	-	223,409	-	(15,473)
Interest on retirement of debt	77,518	-	-	-	(77,518)
Depreciation - unallocated	973,048	-	-	-	(973,048)
TOTAL GOVERNMENTAL ACTIVITIES	$ 19,763,270	$ 1,357,581	$ 3,826,861	$ -	(14,578,828)

	Governmental Activities
General revenues:	
Taxes	
Property taxes, levied for general purposes	1,908,756
Property taxes, levied for debt services	413,796
Property taxes, levied for sinking fund	759,112
State Aid not restricted to specific purposes	9,925,356
Contributions and other unrestricted grants	-
Interest and investment earnings	52,481
Gain (loss) on sale of assets	(3,700)
Miscellaneous	100,946
TOTAL GENERAL REVENUES	13,156,747
CHANGE IN NET POSITION BEFORE EXTRAORDINARY ITEM	(1,422,081)
Extraordinary items:	
Reimbursements from insurance on bus garage	1,657,321
CHANGE IN NET POSITION AFTER EXTRAORDINARY ITEM	235,240
Net Position, July 1, as restated	(16,648,006)
NET POSITION, JUNE 30	$ (16,412,766)

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

Negaunee Public Schools

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2020

	General Fund	Capital Projects Technology Sinking Fund	Other Non-major Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 415,313	$ 63,345	$ 291,974	$ 770,632
Investments	1,769,131	653,250	362,795	2,785,176
Receivables:				
Accounts receivable	-	-	-	-
Due from other governmental units	2,631,897	-	26,181	2,658,078
Due from other funds	-	-	-	-
Inventories	-	-	6,083	6,083
Prepaid expenditures	232,287	-	-	232,287
TOTAL ASSETS	5,048,628	716,595	687,033	6,452,256
DEFERRED OUTFLOWS OF RESOURCES	-		-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,048,628	$ 716,595	$ 687,033	$ 6,452,256
LIABILITIES				
Accounts payable	$ 24	$ -	$ 9,072	$ 9,096
Accrued liabilities	602,288	-	-	602,288
Due to other governmental units	247,740	-	-	247,740
Due to other funds	-	-	-	-
State aid notes payable	-	-	-	-
Unearned grant revenue	105,815	-	44,443	150,258
TOTAL LIABILITIES	955,867	-	53,515	1,009,382
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Non-spendable	232,287	-	6,083	238,370
Restricted	-	716,595	212,083	928,678
Committed	-	-	338,351	338,351
Assigned	324,999	-	77,001	402,000
Unassigned	3,535,475	-	-	3,535,475
TOTAL FUND BALANCES	4,092,761	716,595	633,518	5,442,874
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 5,048,628	$ 716,595	$ 687,033	$ 6,452,256

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

Negaunee Public Schools

GOVERNMENTAL FUNDS

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

June 30, 2020

Total Fund Balances for Governmental Funds		$ 5,442,874
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	$ 26,313,505	
Accumulated depreciation	(12,096,583)	14,216,922
Proportionate share of net pension liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Proportionate share of net pension liability	(30,809,955)	
Deferred outflows related to proportionate share of net pension liability	6,334,614	
District's contributions made subsequent to pension measurement date	2,369,400	
Deferred inflows related to proportionate share of net pension liability	(1,585,922)	(23,691,863)
Proportionate share of net OPEB liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Proportionate share of net OPEB liability	(6,738,032)	
Deferred outflows related to proportionate share of net OPEB liability	1,612,833	
District's contributions made subsequent to OPEB measurement date	555,420	
Deferred inflows related to proportionate share of net OPEB liability	(2,842,256)	(7,412,035)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:		
Accrued Interest	(25,233)	
Notes payable - current portion	-	
Bonds payable - current portion	(230,000)	
Employee benefits payable - current portion	(40,000)	
Notes payable - long-term portion	-	
Bonds payable - long-term portion	(3,555,000)	
Employee benefits payable	(268,523)	
Unamortized bond premium	(417,240)	
Deferred gain on refunding bonds	(432,668)	(4,968,664)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (16,412,766)

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

Negaunee Public Schools

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2020

	General Fund	Capital Projects Technology Sinking Fund	Other Non-major Governmental Funds	Total
REVENUES:				
Local sources	$ 4,866,105	$ 778,343	$ 983,579	$ 6,628,027
State sources	12,899,658	-	23,546	12,923,204
Federal sources	188,555	-	262,424	450,979
TOTAL REVENUES	17,954,318	778,343	1,269,549	20,002,210
EXPENDITURES:				
Current:				
Instruction	10,590,683	-	-	10,590,683
Supporting services	5,513,007	-	69,661	5,582,668
Community services	-	-	-	-
Payments to other governments	-	-	-	-
Facilities acquisition	1,607,167	547,032	192,597	2,346,796
Debt service:				
Principal	-	-	210,000	210,000
Interest	-	-	159,475	159,475
Paying agent fees	-	-	500	500
School lunch activities	-	-	370,844	370,844
Athletic activities	-	-	365,975	365,975
Student activities	-	-	238,882	238,882
TOTAL EXPENDITURES	17,710,857	547,032	1,607,934	19,865,823
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	243,461	231,311	(338,385)	136,387
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	2,800	-	-	2,800
Proceeds from borrowing	-	-	-	-
Transfers in	3,461	80,223	235,142	318,826
Transfers out	(235,142)	-	(83,684)	(318,826)
TOTAL OTHER FINANCING SOURCES (USES)	(228,881)	80,223	151,458	2,800
NET CHANGE IN FUND BALANCES	14,580	311,534	(186,927)	139,187
Fund Balance, July 1, as restated	4,078,181	405,061	820,445	5,303,687
FUND BALANCE, JUNE 30	$ 4,092,761	$ 716,595	$ 633,518	$ 5,442,874

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

Negaunee Public Schools

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds		$ 139,187
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Depreciation expense	$ (973,048)	
Capital outlays	2,764,781	
Net book value of disposed assets	(6,500)	1,785,233
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		
Proceeds from notes	-	
Proceeds from bond issuance	-	-
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		210,000
Change in proportionate share of net pension liability and net OPEB liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.		
Pension expense	(2,369,603)	
OPEB expense	490,873	(1,878,730)
Unamortized bond premiums are reported as other financing sources in the governmental funds when incurred. However, for governmental activities those sources are shown in the statement of net position and amortized over the life of the bond issuance as other sources in the statement of activities.		
Amortization of bond premium - 2016 Refunding Bonds		41,724
Deferred gain on refunding bonds is not recorded as revenue on governmental funds when incurred. However, for governmental activities it is shown in the statement of net position and amortized over the life of the bond.		
Amortization of deferred gain on refunding - 2016 Refunding Bonds		39,333
Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the Statement of Activities.		1,400
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(102,907)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 235,240

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Negaunee Public Schools (the School District) conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

REPORTING ENTITY

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units by applying the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the School District are described below:

<u>Governmental Funds</u>

General Fund – General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Lunch Fund, Athletics Fund, and Student Activities Fund.

Debt Retirement Funds – The Debt Retirement Funds are used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (a) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting

In the district-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Cash Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Position are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less. The fair value measurement of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset's fair value.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports the following in this category:

> On the district-wide financial statements, changes in assumptions, differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions for the pension plan and/or other post-employment benefits other than pension (OPEB) create a deferred outflow of resources.
>
> On the district-wide financial statements, the School District's contributions made into the pension plan and/or OPEB plan subsequent to the plan's fiscal year end creates a deferred outflow of resources.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an unallocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	15 – 20 years
Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight-line amortization.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Pension

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

Postemployment Benefits Other Than Pensions

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District reports the following in this category:

> On the district-wide financial statements, the net difference between projected and actual pension plan and/or OPEB plan investment earnings, differences between expected and actual experience, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions create a deferred inflow of resources.
>
> On the district-wide financial statements, a deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. For district-wide financial statement purposes the amount of the gain on refunding bonds is deferred and amortized over the shorter of the life of the refunded or refunding debt using straight line amortization.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Classification

District-Wide Statements

Equity is classified as net position and displayed in three components:

a. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.

c. Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type) and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property taxes are levied on July 1, on behalf of the School District by various taxing units and are payable without penalty by September 14. The School District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected. Various units of local government bill and collect the property taxes for the School District.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type) and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as government activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Position.

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is approved by the Board of Education.

d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.

e. All annual appropriations lapse at fiscal yearend.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 28, 2020, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash and Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Position.

Cash and cash equivalents	$770,632
Investments	2,785,176
Total	$3,555,808

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. State law does not require and the School District does not have a deposit policy for custodial credit risk. The carrying amounts of the School District's deposits with financial institutions were $770,632 and the bank balance was $874,606. The bank balance is categorized as follows:

Amount insured by the FDIC	$250,012
Amount uncollateralized and uninsured	624,594
Total	$874,606

Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2020, the School District had the following investments:

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Investments	Fair Value	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity securities:				
Michigan Liquid Asset Fund	$2,785,176 *	$-	$2,785,176	$-
Total	$2,785,176	$-	$2,785,176	$-

*Investment matures within one year

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School District's investments. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the School District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The School District's investments are in accordance with statutory authority.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units totaled $2,658,078 and consisted of $2,104,156 due from the State of Michigan for State Aid, $50,063 due from the Michigan Department of Education for Grant Revenue, and $503,859 due from other governmental units for the operation of special programs and grant projects.

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The School District reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued):

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS: General Fund	Non-major Special Revenue	Non-major Capital Projects	Total Due To Other Funds
General Fund	$-	$-	$-	$-
Non-major Special Revenue	-	-	-	-
Non-major Debt Service	-	-	-	-
Non-major Capital Projects	-	-	-	-
Total Due From Other Funds	$-	$-	$-	$-

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

TRANSFERS OUT	TRANSFERS IN: General Fund	Technology Sinking Fund	Non-major Special Revenue	Total Transfers Out To Other Funds
General Fund	$-	$-	$235,142	$235,142
Non-major Special Revenue	3,461	-	-	3,461
Non-major Debt Service	-	-	-	-
Non-major Capital Projects	-	80,223	-	80,223
Total Transfers In From Other Funds	$3,461	$80,223	$235,142	$318,826

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

NOTE E – CAPITAL ASSETS:

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

	Balance 6/30/2019	Additions	Deductions	Balance 6/30/2020
Capital assets not being depreciated:				
Land	$92,536	$-	$-	$92,536
Construction in progress	11,437	175,538	(130,115)	56,860
Subtotal	103,973	175,538	(130,115)	149,396
Capital assets being depreciated:				
Land improvements	1,307,141	65,650	-	1,372,791
Buildings and additions	20,962,741	1,606,305	(11,200)	22,557,846
Equipment and furniture	1,290,971	368,267	(352,695)	1,306,543
School buses	247,793	679,136	-	926,929
Subtotal	23,808,646	2,719,358	(363,895)	26,164,109
Total Capital Assets	23,912,619	2,894,896	(494,010)	26,313,505
Less accumulated depreciation:				
Land improvements	(472,547)	(83,712)	-	(556,259)
Buildings and additions	(10,176,393)	(597,098)	11,200	(10,762,291)
Equipment and furniture	(825,138)	(135,017)	346,195	(613,960)
School buses	(6,852)	(157,221)	-	(164,073)
Total Accumulated Depreciation	(11,480,930)	(973,048)	357,395	(12,096,583)
CAPITAL ASSETS, NET	$12,431,689	$1,921,848	($136,615)	$14,216,922

Depreciation expense charged to governmental activities was $973,048.

NOTE F – CONSTRUCTION IN PROGRESS:

During the fiscal year, the School District completed the bleacher replacement project at Lakeview Elementary Schools. Also, during the fiscal year, the School District began work on renovating the auto shop and making security upgrades at the high school. As of June 30, 2020, costs incurred related to the projects totaled $56,860. The projects are expected to be completed during the next fiscal year.

NOTE G – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2020 is as follows:

	Governmental Activities
Accrued wages	$444,538
Accrued fringes	149,818
Other accrued expenses	7,932
Total	$602,288

NOTE H – LONG-TERM DEBT:

The following is a summary of the long-term debt activity for the year:

	Balance 6/30/2019	Additions	Deductions	Balance 6/30/2020	Due in One year
Governmental Activities:					
Bonds Payable:					
2016 Refunding Bond	$3,995,000	$-	($210,000)	$3,785,000	$230,000
Plus: deferred premium	458,964	-	(41,724)	417,240	-
Subtotal Bonds	4,453,964	-	(251,724)	4,202,240	230,000
Notes Payable:					
None	-	-	-	-	-
Subtotal Notes	-	-	-	-	-
Subtotal Bonds & Notes	4,453,964	-	(251,724)	4,202,240	230,000
Employee Benefit Obligations:					
Accrued sick & vacation	169,676	3,097	-	172,773	-
Terminal leave	35,940	8,649	(28,839)	15,750	-
Early retirement incentive	-	120,000	-	120,000	40,000
Subtotal	205,616	131,746	(28,839)	308,523	40,000
TOTAL	$4,659,580	$131,746	($280,563)	$4,510,763	$270,000

Long-term debt at June 30, 2020 consists of the following:

2016 Refunding Bond
June 30, 2020

	November 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2021	$75,700	$75,700	$230,000	$381,400
2022	71,100	71,100	245,000	387,200
2023	66,200	66,200	270,000	402,400
2024	60,800	60,800	295,000	416,600
2025	54,900	54,900	320,000	429,800
2026-2030	175,300	175,300	1,685,000	2,035,600
2031-2035	31,000	31,000	740,000	802,000
Total	$535,000	$535,000	$3,785,000	$4,855,000

On April 19, 2016, the School District issued $4,450,000 in Refunding Bond with an interest rate of 4% to advance refund $2,675,000 of outstanding 2006 General Obligation Bond with an interest rate of 4.0% to 4.2% per annum and refund $2,630,000 of outstanding 2008 General Obligation Bond with an interest rate of 3.5% to 5.0% per annum.

The net proceeds of $5,055,593 (after payment of $88,267 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 and 2008 General Obligation Bonds. As a result, the 2006 and 2008 General Obligation Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

NOTE H – LONG-TERM DEBT (Continued):

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $590,000. This difference, reported in the accompanying financial statements as an unamortized premium on bonds, is being charged to operations through the year 2031 using the effective-interest method. The School District completed the advance refunding to reduce its total debt service payments over the next 15 years by $696,489 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $577,357.

The irrevocable trust accounts for the assets and the liability for the defeased 2006 and 2008 General Obligation Bonds are not included in the School District's financial statements. The portion of the 2006 and 2008 General Obligation Bonds considered defeased at June 30, 2020 is $2,225,000 and $2,110,000, respectively.

As of June 30, 2020, the aggregate maturities of long-term debt are as follows:

Fiscal Year	Principal	Interest	Total
2021	$230,000	$151,400	$381,400
2022	245,000	142,200	387,200
2023	270,000	132,400	402,400
2024	295,000	121,600	416,600
2025	320,000	109,800	429,800
2026-2030	1,685,000	350,600	2,035,600
2031-2035	740,000	62,000	802,000
Total	$3,785,000	$1,070,000	$4,855,000

NOTE I – EMPLOYEE BENEFIT OBLIGATIONS:

Terminal Leave

The School District offers terminal leave benefits for teachers having ten years of service. This payment is based upon the teacher's base salary at retirement and the number of years of service beyond ten years.

Compensated Absences

There is also an unused sick leave incentive plan provided to teachers eligible to retire under the Michigan Teacher Retirement Act. This payment is based upon the accumulated sick days at a rate of $20 for each day accumulated prior to September 1, 1981 and $50 for each day accumulated after September 1, 1981.The sick leave liability has been calculated in accordance with Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*.

Accrued vacation represents vacation time that has been earned but not taken. This vacation time must be used by the union employees within three months after their next anniversary date, or it will be forfeited. For administrative/supervisory employees this vacation time is paid out at their next anniversary date.

Early Retirement Incentive

The School District offered an early retirement incentive in fiscal year 2019-2020. Based on terms of the agreement the teachers that opted for the early retirement incentive will receive a payment of $8,000 per year for three years with payments commencing in January 2021.

NOTE I – EMPLOYEE BENEFIT OBLIGATIONS (Continued):

During the current fiscal year, the School District paid $-0- in early retirement incentive.

As of June 30, 2020, accrued employee benefit obligations reported in the Statement of Net Position consist of the following:

	Current	Long term	Total
Sick Leave	$-	$162,221	$162,221
Vacation	-	10,552	10,552
Terminal Leave	-	15,750	15,750
Early retirement incentive	40,000	80,000	120,000
Total	$40,000	$268,523	$308,523

NOTE J – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of Education. The Board of Education is the highest level of decision-making authority for the School District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Education.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the School District's adopted policy, only the Board of Education may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of June 30, 2020, fund balances are composed of the following:

	General Fund	Technology Sinking Fund	Non-major Govt'l Funds	Total Governmental Funds
Non-spendable:				
Inventories	$-	$-	$6,083	$6,083
Prepaids	232,287	-	-	232,287
Restricted:				
Debt service	-	-	212,053	212,053
Construction projects	-	716,595	30	716,625
Committed:				
Student activities	-	-	338,351	338,351
Assigned:				
Athletic activities	-	-	-	-
School lunch activities	-	-	77,001	77,001
FY20/21 budgeted shortfall	324,999	-	-	324,999
Unassigned	3,535,475		-	3,535,475
Total Fund Balances	$4,092,761	$716,595	$633,518	$5,442,874

NOTE J – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Education through amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

In fiscal year 2019-20, the School District adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 15-20 percent of the subsequent year's actual General Fund expenditures as reported in the prior year's audited financial statements. Based on the minimum fund balance policy, for the fiscal year ended June 30, 2020 the School District is required to have an unassigned fund balance of $2,364,187 to $3,152,249. The School District is in compliance with its policy at June 30, 2020 with an unassigned fund balance of $3,535,475.

NOTE K – CAPITAL PROJECT FUNDS:

The Sinking Fund Capital Project Fund records capital project activities funded with the Sinking Fund millage. For this fund, authorized prior to March 16, 2017, the School District has complied with the applicable provisions of §1212 of the Revised School Code.

Sinking Fund millages authorized on or after March 16, 2017 have the additional benefit of being utilized to offset various technology and school security improvements. The Technology Sinking Fund Capital Project Fund records capital project activities funded with the Sinking Fund millage that was authorized after March 16, 2017. For this fund, the School District has complied with the applicable provisions of §1212 of the Revised School Code.

NOTE L – ECONOMIC DEPENDENCY:

The School District receives approximately 67% of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of the School District.

NOTE M – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE:

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenue from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2020, the foundation allowance was based on the average of pupil membership counts taken in February and October.

NOTE M – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE (Continued):

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills.

The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2019 – August 2020.

NOTE N – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized $38,028 during fiscal year 2019-20 in revenues and expenditures for USDA commodities.

NOTE O – PROPERTY TAXES:

The taxable value of real and personable property located in the School District for the 2019 tax year which represents approximately 50% of the estimated current value, totaled $319,530,076 (consisting of $174,804,058 for Homestead, $102,139,899 for Non-Homestead, $10,322,952 for Commercial Personal Property, and $32,263,167 for Industrial Personal Property). The tax levy for the year was based on a rate of 18.0000 mills on the non-homestead property and 6.0000 mills on the commercial personal property (one mill is equal to $1.00 per $1,000 of taxable value). Total tax levied consists of 18.0000 mills for the General Fund, 1.1400 for debt retirement, and 2.1000 for the Capital Projects Technology Sinking Fund.

NOTE P – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $75,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE P – CONTINGENT LIABILITIES (Continued):

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Plan Description

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

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

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

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

Benefits Provided

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

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

Contributions

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

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2019.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0-4.0%	18.25%
Member Investment Plan	3.0-7.0%	18.25%
Pension Plus	3.0-6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were $2,471,502 for the year ended September 30, 2019.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

At June 30, 2020, the School District reported a liability of $30,809,955 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the School District's proportion was .09303467 percent, which was a decrease of 0.00036737 percent from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of $4,861,508. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$138,100	($128,475)
Changes of assumptions	6,032,611	-
Net difference between projected and actual earnings on pension plan investments	-	(987,407)
Changes in proportion and differences between the employer contributions and proportionate share of contributions	163,903	(470,040)
Subtotal	6,334,614	($1,585,922)
Employer contributions subsequent to the measurement date	2,369,400	
Total	$8,704,014	

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Year Ended September 30	Amount
2020	$1,979,068
2021	1,443,422
2022	929,393
2023	396,809
Total	$4,748,692

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans	6.80%
- Pension Plus	6.80%
- Pension Plus 2	6.00%
Projected Salary Increases	2.75 – 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active members	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.5%
% Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
Total	100.0%	

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

Rate of Return

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

Discount Rate

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

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

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

1% Decrease 5.80% / 6.80% / 5.00%*	Current Single Discount Rate Assumption 6.80% / 6.80% / 6.00%*	1% Increase (Non-Hybrid/Hybrid) 7.80% / 7.80% / 7.00%*
$40,054,912	$30,809,955	$23,1,45,566

* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus Plan, and Pension Plus 2 Plan

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

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

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

Payables to the Michigan Public Schools Employees' Retirement System (MPSERS)

At June 30, 2020, the School District reported a payable of $188,595 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2020.

NOTE R – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS:

Employees of the School District who began working for a Michigan public school July 1, 2010, or later, are members of the Pension Plus plan or Defined Contribution (DC) plan, defined contribution pension plans. Under Public Act 300 of 2012, eligible members of MPSERS had the option to increase, maintain, or stop their contributions to the pension fund as of the transition date. Members of MPSERS who elected to stop their contributions became participants in the DC plan as of their transition date.

Pension Plus Plan

The Pension Plus Plan is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Within the plan employees have three options to choose from: 1) Pension Plus with Premium Subsidy, 2) Pension plus to DC with PHF, and 3) Basic/MIP to DC with Premium Subsidy. The School District's required to contribute ranges 1% to 4% of annual salary for plan members based on the type of plan the employee is participating in. Employees are permitted to make contributions up to applicable Internal Revenue Service Code limits. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits from the Plan in accordance with IRS regulations for 401(k) plans.

Defined Contribution Plan

The Defined Contribution Plan is a defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Employee contributions are 8% of wages with the employer matching contributions dollar for dollar on the first 2% of wages and 50 cents on the dollar on the next 6% of wages. Employee contributions are made into the 457 Plan while employer matching contributions are made in other 401(k) Plan. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

The total amount contributed to the Plan for the year ended June 30, 2020 was $175,985 which consisted of $47,416 from the School District and $128,569 from employees.

NOTE R – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS:

Personal Healthcare Fund

The Personal Healthcare Fund (PHF) is a personal, portable defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Employee contributions are 2% of wages with the employer matching 2%. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

The total amount contributed to the Plan for the year ended June 30, 2020 was $96,080 which consisted of $48,040 from the School District and $48,040 from employees.

NOTE S – EMPLOYEE RETIREMENT SYSTEM – POST-EMPLOYMENT BENEFITS:

Plan Description

The MPSERS Plan, as previously described in the Defined Benefit Plan footnote, includes an Other Post-Employment Benefits component as part of the cost of the Plan. The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended). All information related to the OPEB component of the Plan is the same except as noted below:

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2019.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	7.93%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the School District were $644,545 for the year ended September 30, 2019.

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

At June 30, 2020, the School District reported a liability of $6,738,032 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The School District's proportion of the net OPEB liability was determined by dividing each employers' statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.09387390 percent, which was an increase of 0.00206030 percent from its proportion measured as of October 1, 2018.

For the year ended June 30, 2020, the School District recognized OPEB expense of $136,770. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE S – EMPLOYEE RETIREMENT SYSTEM – POST-EMPLOYMENT BENEFITS (Continued):

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$-	($2,472,374)
Changes of assumptions	1,459,995	-
Net difference between projected and actual earnings on OPEB plan investments	-	(117,178)
Changes in proportion and differences between employer contributions and proportionate share of contributions	152,838	(252,704)
Subtotal	1,612,833	($2,842,256)
Employer contributions subsequent to the measurement date	555,420	
Total	$2,168,253	

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future OPEB Expenses)

Year Ended September 30	Amount
2020	($349,261)
2021	(349,261)
2022	(291,096)
2023	(175,704)
2024	(64,101)
Total	($1,229,423)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

NOTE S – EMPLOYEE RETIREMENT SYSTEM – POST-EMPLOYMENT BENEFITS (Continued):

Summary of Actuarial Assumptions

Investment Rate of Return:	6.95%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.7101

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

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

1% Decrease 5.95%	**Current Discount Rate 6.95%**	**1% Increase 7.95%**
$8,265,209	$6,738,032	$5,455,628

NOTE S – EMPLOYEE RETIREMENT SYSTEM – POST-EMPLOYMENT BENEFITS (Continued):

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$5,401,259	$6,738,032	$8,265,028

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE T – SINGLE AUDIT:

The School District's audited financial statements reported $450,979 in federal expenditures. As the total amount is less than the single audit threshold of $750,000, the School District is not required to have an audit in accordance with the Uniform Guidance for the fiscal year ended June 30, 2020.

NOTE U – INSURANCE RECOVERIES:

During the fiscal year ended June 30, 2020 the School District received $1,657,321 in insurance recoveries related to damage sustained when the roof of the bus garage collapsed destroying the building, the busses stored inside the building, and the busses around the building. The initial loss occurred on February 24, 2019. Due to the nature of this event, the loss on the insurance recoveries received are reported as an extraordinary item on the Statement of Activities.

NOTE V – TAX ABATEMENTS:

For financial reporting purposes, GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and about tax abatement agreements entered into by other governments that reduce the reporting government's tax revenues.

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax (IFT) exemptions and/or Brownfields granted by the townships, cities, and/or counties within the district. These tax exemptions are intended to promote economic development and/or growth within the issuing government's jurisdiction. Operating revenues not paid to the School District because of tax abatement agreements are reimbursed to the School District by the State of Michigan through the per-pupil foundation allowance.

NOTE V – TAX ABATEMENTS (Continued):

Information relevant to tax abatements within the School District for the year ended June 30, 2020 is as follows:

Issuing Government	Type of Tax Abatement Agreement	Tax Abated	Gross Amount Abated in Fiscal Year
Marquette County	Brownfield	Prop. Tax	$7,974
			$7,974

For the fiscal year ended June 30, 2020, there were no significant tax abatements made by the School District.

NOTE W – NEW GASB STANDARDS:

Management of the School District has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the School District by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

Recently Issued and Adopted Accounting Pronouncements
In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The Statement identifies four types of fiduciary funds that should be reported, as applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement was originally effective for periods beginning after December 15, 2018. However, under GASB 95, the effective date was postponed by one year, to periods beginning after December 15, 2019. The School District has activities that meet the criteria for GASB 84; therefore, GASB 84 is applicable to the School District. The School District opted to implement in the current year following the original effective date. The adoption of GASB 84 required the School District to record a prior period adjustment for the beginning equity of the Student Activities now required to be reported as a special revenue fund (see Note Z for more information).

Other Recently Issued Accounting Pronouncements
None

NOTE X – UPCOMING STANDARDS:

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the School District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the School District.

NOTE X – UPCOMING STANDARDS (Continued):

GASB 87: Leases

Originally effective for fiscal years beginning after December 15, 2019; postponed by GASB 95 to fiscal years beginning after June 15, 2021 (School District's fiscal year 2022)

This Statement increases the usefulness of governments' financial statements by requiring 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 on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 89: Accounting for Interest Cost incurred before the end of a Construction Period

Originally effective for fiscal years beginning after December 15, 2019; postponed by GASB 95 to fiscal years beginning after December 15, 2020 (School District's fiscal year 2022)

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus.

GASB 90: Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61

Originally effective for fiscal years beginning after December 15, 2018; postponed by GASB 95 to fiscal years beginning after December 15, 2019 (School District's fiscal year 2021)

This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority interest in a legally separate organization results in a government being financially accountable for a legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

NOTE X – UPCOMING STANDARDS (Continued):

GASB 91: Conduit Debt Obligations

Originally effective for fiscal years beginning after December 15, 2020; postponed by GASB 95 to fiscal years beginning after December 15, 2021 (School District's fiscal year 2023)

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for account and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.

NOTE X – UPCOMING STANDARDS (Continued):

- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.

- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

<u>GASB 92: Omnibus 2020</u>

Originally effective for fiscal years beginning after June 15, 2020; postponed by GASB 95 to fiscal years beginning after June 15, 2021 (School District's fiscal year 2022)

This Statement enhances comparability of accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

NOTE X – UPCOMING STANDARDS (Continued):

GASB 93: Replacement of Interbank Offered Rates

Originally effective for fiscal years beginning after June 15, 2019; postponed by GASB 95 to fiscal years beginning after June 15, 2020 (School District's fiscal year 2021)

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing the fallback provisions related to the reference rate.

Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedge item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedge expected transactions is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Effective for fiscal years beginning after June 15, 2022 (School District's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

Under this Statement, a PPP is defined as an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital assts (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Under this Statement a PPP meets the definition of a service concession arrangement (SCA) if: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

<u>GASB 95: Postponement of the Effective Dates of Certain Authoritative Guidance</u>

Effective for fiscal years beginning after June 15, 2018 until below GASBs implemented (beginning with School District's fiscal year 2020)

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

NOTE X – UPCOMING STANDARDS (Continued):

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

The School District chose to implement GASB 84 according to the original implementation dates (see Note W).

<u>GASB 96: Subscription-Based Information Technology Arrangements</u>

Effective for fiscal years beginning after June 15, 2022 (School District's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) for government end users (governments) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

<u>GASB 97: Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32</u>

Effective for fiscal years beginning after June 15, 2021 (School District's fiscal year 2022)

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

NOTE X – UPCOMING STANDARDS (Continued):

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

NOTE Y – SUBSEQUENT EVENTS:

<u>COVID-19</u>

In response to the COVID-19 pandemic the Governor of the State of Michigan enacted Executive Order 2020-65, which suspended in-person K-12 instruction for the remainder of the 2019-2020 school year. Schools who participated in the National School Lunch Program (NSLP), National School Breakfast Program (SBP), and the Summer Food Service Program were permitted to continue serving meals during the mandatory shut down (given certain safeguards were in effect to limit exposure and potential spread of the virus).

The Federal Government passed the Coronavirus Aid, Relief, and Economic Security Action (CARES Act) to assist the national, state, and local economy as a result of the COVID-19 pandemic. As part of the CARES Act there was $13.2 billion in Elementary and Secondary School Emergency Relief (ESSER) funds, of which, the Michigan Department of Education received nearly $390 million.

School districts began receiving CARES Act funding at the end of fiscal year 2019-2020. Due to the impact that the COVID-19 pandemic had on the State's economy the Michigan Department of Education and Michigan Department of Treasury are likely to continue making adjustments to the Foundation Allowance and State Aid. It is anticipated that the reduction in State sources will be partially offset by an increase in Federal sources.

Under the *MI Safe Schools: Michigan's 2020-21 Return to School Roadmap* (the Roadmap) there are six phases for restarting schools. Under the Roadmap, schools in Phases 1-3 are only allowed to perform remote learning; Phase 4 allows in-person instruction with safety protocols; Phase 5 allows in-person instruction with minimal required safety protocols; and Phase 6 allows in-person instruction with no required safety protocols. At the beginning of the 2020-21 school year, Region 8 (the Upper Peninsula) was in Phase 4. In the upcoming weeks it is unknown if the School District will move up or down on the Roadmap.

NOTE Y – SUBSEQUENT EVENTS (Continued):

As the School District re-engages in in-person learning it is unknown what the future impact of the COVID-19 pandemic will have on the operations of the School District. Currently, the School District is able to offer free breakfast and lunch to all students through June 30, 2021.

For additional details on the Executive Orders and other information related to COVID-19 and the State of Michigan's response please refer to: https://www.michigan.gov/coronavirus/.

Debt Millage

In August 2020, voters approved a request by the School District for a 0.99-mill bond proposal for a period of 25 years. The funds are to be used to pay for the debt service requirements of a bond not to exceed $8,500,000 to pay for a variety of upgrades and improvements throughout the School District's facilities.

Bond Offering

On October 20, 2020 the School District issued the 2020 School Building and Site Bonds (General Obligation – Unlimited Tax) in the amount of $8,500,000.

NOTE Z – NET POSITION/FUND BALANCE RESTATEMENT:

The following net position/fund balance restatement was made resulting from the adoption of GASB No. 84. The adjustment records the beginning fund balance of the Student Activities Fund as listed below:

		Special Revenue Funds
	Governmental Activities	Student Activities Fund
Net position/fund balance, beginning of year	($17,001,830)	$-
Prior period adjustment:		
Fund balance, under GASB 84, beginning of year	353,824	353,824
Net position/fund balance, beginning of year, as restated	($16,648,006)	$353,824

REQUIRED SUPPLEMENTAL INFORMATION

Negaunee Public Schools

SCHEDULE OF THE NEGAUNEE PUBLIC SCHOOLS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Plan Year Ended September 30

	2019	2018	2017	2016	2015	2014				
Negaunee Public Schools' proportion of net pension liability	0.09303%	0.09340%	0.09551%	0.09490%	0.09134%	0.08911%				
Negaunee Public Schools' proportionate share of net pension liability	$ 30,809,955	$ 28,078,339	$ 24,751,375	$ 23,676,918	$ 22,310,039	$ 19,628,059				
Negaunee Public Schools' covered-employee payroll	$ 8,227,295	$ 7,827,045	$ 7,945,131	$ 8,141,860	$ 7,697,955	$ 7,607,911				
Negaunee Public Schools' proportionate share of net pension liability as a percentage of covered-employee payroll	374.48%	358.73%	311.53%	290.80%	289.82%	258.00%				
Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%				

Notes to Required Supplementary Information:

Changes in benefit terms:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*
Changes in assumptions:	*2019*	*2018*	*NONE*	*NONE*	*NONE*	*NONE*

2019 - Investment rate of return for MIP and Basic Plans reduced from 7.05% to 6.80%
- Recognition period for liabilities increased from 4.5304 to 4.4977

2018 - Investment rate of return for MIP and Basic Plans reduced from 7.50% to 7.05%
- Projected salary increases reduced to 2.75% - 11.55%, including wage inflation at 2.75%
- Mortality tables updated to RP-2014 Male and Female Healthy Annuitant
- Recognition period for liabilities increased from 4.5188 to 4.5304

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Negaunee Public Schools

SCHEDULE OF THE NEGAUNEE PUBLIC SCHOOLS' PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Fiscal Year Ended June 30

	2020	2019	2018	2017	2016	2015				
Statutorily required contributions	$ 2,572,903	$ 2,491,387	$ 2,533,021	$ 2,705,021	$ 2,585,866	$ 2,651,704				
Contributions in relation to statutorily required contributions	2,572,903	2,491,387	2,533,021	2,705,021	2,585,866	2,651,704				
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -				
Negaunee Public Schools' covered-employee payroll	$ 8,272,372	$ 8,066,095	$ 7,778,222	$ 7,903,673	$ 6,741,512	$ 7,897,227				
Pension contributions as a percentage of covered-employee payroll	31.10%	30.89%	32.57%	34.22%	38.36%	33.58%				

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Negaunee Public Schools

SCHEDULE OF THE NEGAUNEE PUBLIC SCHOOLS' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Plan Year Ended September 30

	2019	2018	2017							
Negaunee Public Schools' proportion of net OPEB liability	0.09387%	0.09181%	0.09535%							
Negaunee Public Schools' proportionate share of net OPEB liability	$ 6,738,032	$ 7,298,219	$ 8,443,700							
Negaunee Public Schools' covered-employee payroll	$ 8,227,295	$ 7,827,045	$ 7,945,131							
Negaunee Public Schools' proportionate share of net OPEB liability as a percentage of covered-employee payroll	81.90%	93.24%	106.28%							
Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%							

Notes to Required Supplementary Information:

Changes in benefit terms:	*NONE*	*NONE*	*NONE*
Changes in assumptions:	*2019*	*2018*	*NONE*

2019 - See pension assumptions
- Investment rate of return reduced from 7.15% to 6.95%
- Recognition period for liabilities increased from 5.6018 to 5.7101

2018 - See pension assumptions
- Healthcare Cost Trend rate 7.5% Year 1 graded to 3.0% Year 12 (compared to 3.5% Year 12)
- Recognition period for liabilities increased from 5.4744 to 5.6018

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Negaunee Public Schools

SCHEDULE OF THE NEGAUNEE PUBLIC SCHOOLS' OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Fiscal Year Ended June 30

	2020	2019	2018							
Statutorily required contributions	$ 640,239	$ 575,714	$ 592,168							
Contributions in relation to statutorily required contributions	640,239	575,714	592,168							
Contributions deficiency (excess)	$ -	$ -	$ -							
Negaunee Public Schools' covered-employee payroll	$ 8,272,372	$ 8,066,095	$ 7,778,222							
OPEB contributions as a percentage of covered-employee payroll	7.74%	7.14%	7.61%							

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Negaunee Public Schools

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	$ 2,957,099	$ 4,699,563	$ 4,866,105	$ 1,742,464	$ 166,542
State sources	12,678,705	12,496,376	12,899,658	(182,329)	403,282
Federal sources	137,016	156,220	188,555	19,204	32,335
TOTAL REVENUES	15,772,820	17,352,159	17,954,318	1,579,339	602,159
EXPENDITURES:					
Instruction:					
Basic programs	7,257,699	7,474,770	7,523,933	(217,071)	(49,163)
Added needs	3,214,863	3,159,949	3,056,880	54,914	103,069
Adult education	8,871	10,011	9,870	(1,140)	141
Total Instruction	10,481,433	10,644,730	10,590,683	(163,297)	54,047
Supporting Services:					
Pupil services	824,418	820,618	813,312	3,800	7,306
Instructional staff	304,920	341,600	343,649	(36,680)	(2,049)
General administration	276,515	274,855	273,496	1,660	1,359
School administration	921,305	934,025	925,041	(12,720)	8,984
Business services	346,320	352,957	342,140	(6,637)	10,817
Operations and maintenance	1,097,871	1,107,240	1,094,782	(9,369)	12,458
Pupil transportation	1,066,460	1,543,173	1,540,339	(476,713)	2,834
Central support	164,515	183,495	180,248	(18,980)	3,247
Total Supporting Services	5,002,324	5,557,963	5,513,007	(555,639)	44,956
Community Services:					
Community activities	100	100	-	-	100
Total Community Services	100	100	-	-	100
Payments to Other Governments:					
Payment to other governments	-	-	-	-	-
Total Payments to Other Governments	-	-	-	-	-
Facilities Acquisition:					
Capital outlay	-	1,533,100	1,607,167	(1,533,100)	(74,067)
Total Facilities Acquisition	-	1,533,100	1,607,167	(1,533,100)	(74,067)
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Debt Service	-	-	-	-	-
TOTAL EXPENDITURES	15,483,857	17,735,893	17,710,857	(2,252,036)	25,036
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	288,963	(383,734)	243,461	(672,697)	627,195
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	2,800	2,800	2,800	-
Proceeds from borrowing	-	-	-	-	-
Transfers in	-	-	3,461	-	3,461
Transfers (out)	(267,389)	(233,963)	(235,142)	33,426	(1,179)
TOTAL OTHER FINANCING SOURCES (USES)	(267,389)	(231,163)	(228,881)	36,226	2,282
NET CHANGE IN FUND BALANCE	21,574	(614,897)	14,580	(636,471)	629,477
Fund Balance, July 1	4,078,181	4,078,181	4,078,181	-	-
FUND BALANCE, JUNE 30	$ 4,099,755	$ 3,463,284	$ 4,092,761	$ (636,471)	$ 629,477

OTHER SUPPLEMENTAL INFORMATION

Negaunee Public Schools

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2020

	Special Revenue Funds	Debt Service Funds	Capital Projects Sinking Fund	Total
ASSETS				
Cash and cash equivalents	$ 244,372	$ 47,602	$ -	$ 291,974
Investments	198,314	164,451	30	362,795
Accounts receivable	-	-	-	-
Due from other governmental units	26,181	-	-	26,181
Due from other funds	-	-	-	-
Inventories	6,083	-	-	6,083
Prepaid expenses	-	-	-	-
TOTAL ASSETS	474,950	212,053	30	687,033
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 474,950	$ 212,053	$ 30	$ 687,033
LIABILITIES				
Accounts payable	$ 9,072	$ -	$ -	$ 9,072
Accrued liabilities	-	-	-	-
Due to other governmental units	-	-	-	-
Due to other funds	-	-	-	-
Unearned grant revenue	44,443	-	-	44,443
TOTAL LIABILITIES	53,515	-	-	53,515
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Non-spendable	6,083	-	-	6,083
Restricted	-	212,053	30	212,083
Committed	338,351	-	-	338,351
Assigned	77,001	-	-	77,001
Unassigned	-	-	-	-
TOTAL FUND BALANCES	421,435	212,053	30	633,518
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 474,950	$ 212,053	$ 30	$ 687,033

Negaunee Public Schools

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2020

	Special Revenue Funds	Debt Service Funds	Capital Projects Sinking Fund	Total
REVENUES:				
Local sources	$ 564,680	$ 418,423	$ 476	$ 983,579
State sources	23,546	-	-	23,546
Federal sources	262,424	-	-	262,424
TOTAL REVENUES	850,650	418,423	476	1,269,549
EXPENDITURES:				
Supporting services	69,660	1	-	69,661
Debt service	-	369,975	-	369,975
Facilities acquisition	-	-	192,597	192,597
School lunch activities	370,844	-	-	370,844
Athletic activities	365,975	-	-	365,975
Student activities	238,882	-	-	238,882
TOTAL EXPENDITURES	1,045,361	369,976	192,597	1,607,934
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(194,711)	48,447	(192,121)	(338,385)
OTHER FINANCING SOURCES (USES):				
Transfers in	235,142	-	-	235,142
Transfers (out)	(3,461)	-	(80,223)	(83,684)
TOTAL OTHER FINANCING SOURCES (USES)	231,681	-	(80,223)	151,458
NET CHANGE IN FUND BALANCE	36,970	48,447	(272,344)	(186,927)
Fund Balance, July 1, as restated	384,465	163,606	272,374	820,445
FUND BALANCE, JUNE 30	$ 421,435	$ 212,053	$ 30	$ 633,518

Negaunee Public Schools

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2020

	School Lunch Fund	Athletic Fund	Student Activity Fund	Total
ASSETS				
Cash and cash equivalents	$ 52,026	$ 24,552	$ 167,794	$ 244,372
Investments	15,666	12,077	170,571	198,314
Accounts receivable	-	-	-	-
Due from other governmental units	26,181	-	-	26,181
Due from other funds	-	-	-	-
Inventories	6,083	-	-	6,083
Prepaid expenses	-	-	-	-
TOTAL ASSETS	99,956	36,629	338,365	474,950
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 99,956	$ 36,629	$ 338,365	$ 474,950
LIABILITIES				
Accounts payable	$ 9,058	$ -	$ 14	$ 9,072
Accrued liabilities	-	-	-	-
Due to other governmental units	-	-	-	-
Due to other funds	-	-	-	-
Unearned grant revenue	7,814	36,629	-	44,443
TOTAL LIABILITIES	16,872	36,629	14	53,515
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Non-spendable	6,083	-	-	6,083
Restricted	-	-	-	-
Committed	-	-	338,351	338,351
Assigned	77,001	-	-	77,001
Unassigned	-	-	-	-
TOTAL FUND BALANCES	83,084	-	338,351	421,435
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 99,956	$ 36,629	$ 338,365	$ 474,950

Negaunee Public Schools

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2020

	School Lunch Fund	Athletic Fund	Student Activity Fund	Total
REVENUES:				
Local Sources:				
School lunch activities	$ 139,171	$ -	$ -	$ 139,171
Athletic activities	-	202,100	-	202,100
Other school activities	-	-	223,409	223,409
State sources	23,546	-	-	23,546
Federal sources	262,424	-	-	262,424
TOTAL REVENUES	425,141	202,100	223,409	850,650
EXPENDITURES:				
Support services	-	69,660	-	69,660
School lunch activities	370,844	-	-	370,844
Athletic activities	-	365,975	-	365,975
Student activities	-	-	238,882	238,882
TOTAL EXPENDITURES	370,844	435,635	238,882	1,045,361
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	54,297	(233,535)	(15,473)	(194,711)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,658	233,484	-	235,142
Transfers (out)	(3,461)	-	-	(3,461)
TOTAL OTHER FINANCING SOURCES (USES)	(1,803)	233,484	-	231,681
NET CHANGE IN FUND BALANCE	52,494	(51)	(15,473)	36,970
Fund Balance, July 1, as restated	30,590	51	353,824	384,465
FUND BALANCE, JUNE 30	$ 83,084	$ -	$ 338,351	$ 421,435

Negaunee Public Schools

NON-MAJOR SPECIAL REVENUE FUND

SCHOOL LUNCH FUND

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

For the Year Ended June 30, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local Sources:			
Student meals	$ 111,540	$ 111,542	$ 2
Ala carte sales	23,475	23,475	-
Other food receipts	4,155	4,154	(1)
Total Local Sources	139,170	139,171	1
State Sources:			
State aid - restricted	22,490	23,546	1,056
Total State Sources	22,490	23,546	1,056
Federal Sources:			
Entitlement payments	212,645	224,396	11,751
Donated commodities	-	38,028	38,028
Total Federal Sources	212,645	262,424	49,779
TOTAL REVENUES	374,305	425,141	50,836
EXPENDITURES:			
Support services	-	-	-
School lunch activities	349,905	370,844	(20,939)
TOTAL EXPENDITURES	349,905	370,844	(20,939)
EXCESS REVENUES (EXPENDITURES)	24,400	54,297	29,897
OTHER FINANCING SOURCES (USES):			
Transfers in	-	1,658	1,658
Transfers (out)	-	(3,461)	(3,461)
NET CHANGE IN FUND BALANCE	24,400	52,494	28,094
Fund Balance, July 1	30,590	30,590	-
FUND BALANCE, JUNE 30	$ 54,990	$ 83,084	$ 28,094

Negaunee Public Schools

NON-MAJOR SPECIAL REVENUE FUND

ATHLETIC FUND

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

For the Year Ended June 30, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local sources	$ 119,090	$ 202,100	$ 83,010
TOTAL REVENUES	119,090	202,100	83,010
EXPENDITURES:			
Support services	60,843	69,660	(8,817)
Athletic activities	292,210	365,975	(73,765)
TOTAL EXPENDITURES	353,053	435,635	(82,582)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(233,963)	(233,535)	428
OTHER FINANCING SOURCES (USES):			
Transfers in	233,963	233,484	(479)
NET CHANGE IN FUND BALANCE	-	(51)	(51)
Fund Balance, July 1	51	51	-
FUND BALANCE, JUNE 30	$ 51	$ -	$ (51)

Negaunee Public Schools

NON-MAJOR SPECIAL REVENUE FUND

STUDENT ACTIVITY FUND

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

For the Year Ended June 30, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local sources	$ 240,000	$ 223,409	$ (16,591)
TOTAL REVENUES	240,000	223,409	(16,591)
EXPENDITURES:			
Student activities	240,000	238,882	1,118
TOTAL EXPENDITURES	240,000	238,882	1,118
EXCESS REVENUES OVER (UNDER) EXPENDITURES	-	(15,473)	(15,473)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCE	-	(15,473)	(15,473)
Fund Balance, July 1, as restated	353,824	353,824	-
FUND BALANCE, JUNE 30	$ 353,824	$ 338,351	$ (15,473)

Negaunee Public Schools

NON-MAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

June 30, 2020

	2006 Debt Retirement Fund	2008 Debt Retirement Fund	Total Non-major Debt Service Funds
ASSETS			
Cash and cash equivalents	$ 47,597	$ 5	$ 47,602
Investments	162,251	2,200	164,451
Due from other governmental units	-	-	-
TOTAL ASSETS	209,848	2,205	212,053
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 209,848	$ 2,205	$ 212,053
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Due to other governmental units	-	-	-
TOTAL LIABILITIES	-	-	-
DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES			
Restricted	209,848	2,205	212,053
TOTAL FUND BALANCES	209,848	2,205	212,053
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 209,848	$ 2,205	$ 212,053

Negaunee Public Schools

NON-MAJOR DEBT SERVICE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2020

	2006 Debt Retirement Fund	2008 Debt Retirement Fund	Total Non-major Debt Service Funds
REVENUES:			
Local sources	$ 418,423	$ -	$ 418,423
State sources	-	-	-
TOTAL REVENUES	418,423	-	418,423
EXPENDITURES:			
Supporting Services:	1	-	1
Debt Service:			
Principal	210,000	-	210,000
Interest	159,475	-	159,475
Paying agent fees	500	-	500
TOTAL EXPENDITURES	369,976	-	369,976
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	48,447	-	48,447
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	48,447	-	48,447
Fund Balance, July 1	161,401	2,205	163,606
FUND BALANCE, JUNE 30	$ 209,848	$ 2,205	$ 212,053

COMPLIANCE SECTION

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

To the Board of Education of the
Negaunee Public Schools
101 South Pioneer Avenue, Suite 1
Negaunee, Michigan 49866

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Negaunee Public Schools (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 28, 2020.

Internal Control over Financial Reporting

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

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

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

To the Board of Education of the
Negaunee Public Schools

Compliance and Other Matters

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

Purpose of this Report

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 28, 2020

COMMUNICATIONS SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 Phone: (906) 225-1166 www.atccpa.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Negaunee Public Schools
Report to Management
For the Year Ended June 30, 2020

To the Board of Education and Management of the
Negaunee Public Schools
101 South Pioneer Avenue, Suite 1
Negaunee, MI 49866

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Negaunee Public Schools (the School District) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

This communication is intended solely for the information and use of management, the Board of Education, and others within the School District, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 28, 2020

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 Phone: (906) 225-1166 www.atccpa.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Negaunee Public Schools
Communication with Those Charged with Governance
For the Year Ended June 30, 2020

October 28, 2020

To the Board of Education of the
Negaunee Public Schools
101 South Pioneer Avenue, Suite 1
Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Negaunee Public Schools (the School District) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. As described in Note Z to the financial statements the School District implemented GASB Statement No. 84. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

> Management's estimate of accumulated depreciation is based on historical cost. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense

> and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of compensated absences is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of terminal leave is based on various labor and union contract terms or administrative policies. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the School District's proportionate share of Net Pension Liability and Net OPEB Liability is based on an actuarial performed for the Michigan Public Employees' Retirement System (MPSERS) to determine its liability. We evaluated the key factors and assumptions used to develop the School District's proportionate share of Net Pension Liability and Net OPEB Liability, based on information provided by the Michigan Department of Technology, Management and Budget Office of Retirement Services, in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's allocation of the School District's pension and OPEB contributions subsequent to the measurement date is based contribution rates set by the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

> The disclosure of the School District's proportionate share of the Defined Benefit Pension Plan and Other Post-Employment Benefits includes significant actuarial assumptions used in calculating the valuation. Gabriel, Roeder, Smith & Company was the actuarial company hired by the Retirement Board of the Michigan Public Employees' Retirement System (MPSERS) and the Michigan Department of Technology, Management and Budget Office of Retirement Services for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MPSERS' Comprehensive Annual Financial Report of the Fiscal Year Ended September 30, 2019.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

<u>Other Matters</u>

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

We were engaged to report on other supplemental information, as listed on the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Members of the Board of Education and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountants