UNIONVILLE-SEBEWAING
AREA SCHOOLS
SEBEWAING, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2019

UNIONVILLE-SEBEWAING AREA SCHOOLS

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UNIONVILLE-SEBEWAING AREA SCHOOLS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Unionville Sebewaing Area Schools
Sebewaing, Michigan

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 Unionville Sebewaing Area Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Unionville Sebewaing Area Schools, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Unionville Sebewaing Area School's basic financial statements. The additional supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplementary 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 additional supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2019 on our consideration of Unionville Sebewaing Area School'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 Unionville Sebewaing Area School'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 Unionville Sebewaing Area School's internal control over financial reporting and compliance.

Nietzke & Faupel P.C.

NIETZKE & FAUPEL, P.C.
Pigeon, Michigan

October 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Unionville-Sebewaing Area School's (USA) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the district's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The General fund showed expenditures greater than revenues and other financing sources by $287,829.

The Food Service fund showed expenditures and other financing uses greater than revenues by $26,793.

The Debt Service funds showed $54,957 revenues greater than expenditures.

The Capital Projects funds showed $189,203 of revenues greater than expenditures as property taxes were received on the sinking fund millage for future projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

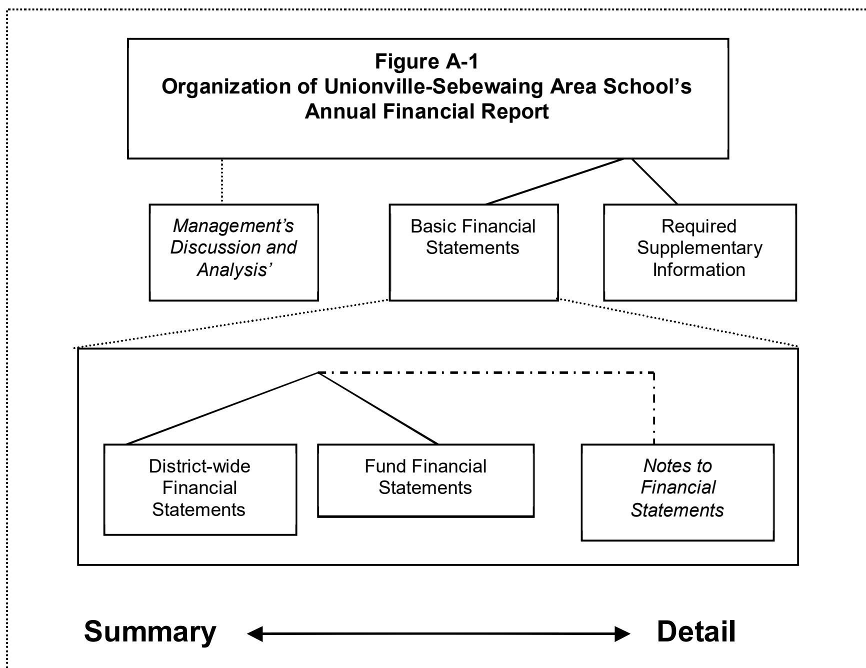
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.

The *governmental fund* statements tell how *basic* services like instruction and support services were financed in the *short term* as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely acts solely as a trustee or agent for the benefit of others.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 above shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of District-Wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenue, expenditures and changes in fund balances	* Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Unionville-Sebewaing Area Schools funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets, deferred outflows, deferred inflows and liabilities. All of the revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets, deferred outflows, deferred inflows and liabilities – is one way to measure the District's financial health or *position.*

Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The District's combined net position at the beginning of the fiscal year was $(2,356,523) and on June 30, 2019 it is $(2,088,789) which represents an increase of $267,734 as recorded in the statement of activities.

In the district-wide financial statements, the District's activities include:

Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by State law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes (like repaying its debts, and its capital projects fund) or to show that it is properly using certain revenues (like school lunch).

The District has two kinds of funds:

Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental fund financial statements that explain the relationship (or differences) between them.

Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position –The statement of net position provides the perspective of the District as a whole. Table A-3 provides a summary of the District's net position as of June 30, 2019 and 2018.

Table A-3
Unionville-Sebewaing Area Schools
Net Position

	2019	2018
Current assets	$ 2,994,961	$ 3,408,141
Restricted assets	1,465,744	1,278,838
Noncurrent assets	17,403,475	17,910,501
Total assets	21,864,180	22,597,480
Deferred outflows of resources	4,675,516	2,900,726
Current liabilities	2,791,307	2,809,969
Noncurrent liabilities	8,729,778	10,069,452
Net other postemployment benefits liability	3,076,906	3,541,784
Net pension liability	11,759,231	10,339,206
Total liabilities	26,357,222	26,760,411
Deferred inflows of resources	2,271,263	1,094,318
Net position:		
Net investment in capital assets	7,627,365	6,975,032
Restricted	1,844,866	1,621,695
Unrestricted	(11,561,020)	(10,953,250)
Total net position	$ (2,088,789)	$ (2,356,523)

The statement of activities shows the results of this year's operations for the District as a whole. Table A-4 shows the changes in net position as of June 30, 2019 and 2018.

Table A-4
Change in Unionville-Sebewaing Area School's Net Position

	2019	2018
Revenues		
Program revenues		
Charges for services	$ 226,891	$ 282,262
Federal and state categorical grants	1,568,613	1,572,179
General revenues		
Property taxes	2,918,518	2,709,371
State sources	4,666,476	4,673,132
Other	87,047	127,503
Total revenues	9,467,545	9,364,447
Expenses		
Instruction	5,156,107	4,984,857
Support services	3,352,720	3,319,698
Community services	24	-
Non-public school student services	6,446	1,231
Payments to other governments	9,287	9,720
Food services	374,347	364,446
Interest on long-term obligations	223,883	237,378
Depreciation - Unallocated	76,997	70,908
Total expenses	9,199,811	8,988,238
Change in net position	$ 267,734	$ 376,209

The District's net position improved by $267,734 this fiscal year. The increase is due to capital additions, increased restricted assets, and an increase in deferred outflows of resources related to pensions and OPEB items.

General Fund and Budget Highlights

The General Fund continues to show a decrease to fund balance. This fiscal year decrease is $287,829. The prior year decrease was $41,144. State revenue has decreased $73,684 due to less pupils and property taxes increased $25,592. Expenditures had increases in instruction of $24,819, support services general administration decreased $17,086, school administration decreased $50,243, maintenance and operations increased $145,383, and other support services – transportation increased $36,491.

During the 2019 fiscal year the District's original budget was amended to reflect the changes that had an impact on the District.

Initial budget amendments took place in February to reflect the actual student counts, foundation amount, the impact of staffing changes, and the changes in federal funding. Final budget amendments took place in June 2019.

Original budgeted revenues were $7,319,902 and the actual revenue amount was $7,302,515. The original budget amount for expenditures was $7,495,900 and the actual figure was $7,590,344. As a result, the general fund ended the fiscal year with a positive budget variance of $66,768. The decrease in fund balance of $287,829 was less than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

There were $281,823 in capital asset purchases and no asset disposals by the District in fiscal year 2019.

Table A-5
Unionville-Sebewaing Area Schools Capital Assets
(Net of Depreciation)

	2019	2018
Land	$ 491,700	$ 491,700
Buildings and additions	16,062,667	16,720,468
Furniture and equipment	667,799	564,530
Transportation equipment	181,309	133,803
Totals	$17,403,475	$17,910,501

Long-term Obligations

At year-end the District had approximately $10 million in general obligation bonds and other long-term debt outstanding as shown in Table A-6. This amount was approximately $11.3 million for fiscal 2018. During fiscal 2019, the District had no additions to their long-term debt and repaid $1,187,050 in principal.

Table A-6
Unionville-Sebewaing Area Schools Outstanding
Long-term Debt Obligations

	2019	2018
General obligation bonds	$ 9,977,800	$11,165,650
Other	86,878	98,702
Totals	$10,064,678	$11,264,352

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several factors that could have a major impact on the 2019-2020 fiscal year and beyond.

The foundation allowance for the 2019-2020 year is still unknown but anticipated to be $8,111. This represents a $240 increase per student from the 2018-2019 amount of $7,871. The District is anticipating an increase in the state aid student membership count from 729.11 to an approximate count of 729.84. This slight increase is due to an increase in county population as well as competition from other districts for “School of Choice” students.

The use of “one time” payments and categorical funding to supplement the foundation allowance for schools in Michigan results in uncertain revenue forecasts. The current system to adjust enrollment data based on student transfers in and out of the District between count days will also contribute to difficulty in predicting funding levels for the current and future fiscal years.

The District’s maximum retirement contribution is expected to increase slightly in 2019-2020. The District will pay a maximum of 27.50% for retirement benefits in 2019-2020. This is an increase from 2018-2019 which was 27.16%.

Teachers began to share health care costs in 2013 due to the June 30, 2013 expiration of a three-year bargaining agreement. Implementation of Public Act 152 of 2011 will limit the District’s contribution to health care benefits to a maximum of 80% or an amount determined by the state and based on the national consumer price index for medical care. The District utilizes the amount determined by the State in determining the shared health care costs. The amounts are adjusted for inflation on an annual basis.

The District believes that the constant monitoring of the budget and modest on-going cost cutting measures, when combined with the State’s retirement reform and health care cost reforms, is sufficient to maintain the current programming for the next few years with the expectation of only modest increases from State revenue sources.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional information, contact Superintendent George Rierson at 2203 Wildner Road, Sebewaing, MI 48759.

BASIC FINANCIAL STATEMENTS

UNIONVILLE-SEBEWAING AREA SCHOOLS

STATEMENT OF NET POSITION
JUNE 30, 2019

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and deposits	$ 873,993
Investments	635,195
Receivables:	
Accounts receivable	9,826
Due from other governmental units	1,451,519
Inventory	10,651
Prepaid expenses	13,777
Restricted cash - Capital projects	1,465,744
Nondepreciated capital assets	491,700
Depreciated capital assets	33,032,352
Accumulated depreciation	(16,120,577)
TOTAL ASSETS	21,864,180
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on bond refunding	236,936
Related to other postemployment benefits	547,154
Related to pensions	3,891,426
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,675,516
LIABILITIES:	
Accounts payable	80,213
Due to other governmental units	7,571
Accrued interest payable	47,083
Accrued salaries and related items	530,633
Accrued retirement	177,535
Prepaid meals	13,072
Unearned revenue	300
State aid note payable	600,000
Noncurrent liabilities:	
Due within one year	1,334,900
Due in more than one year	8,729,778
Net other postemployment benefits liability	3,076,906
Net pension liability	11,759,231
TOTAL LIABILITIES	26,357,222
DEFERRED INFLOWS OF RESOURCES:	
Related to other postemployment benefits	788,731
Related to pensions	1,055,043
Related to state aid funding for pensions	427,489
TOTAL DEFERRED INFLOWS OF RESOURCES	2,271,263
NET POSITION:	
Net investment in capital assets	7,627,365
Restricted for:	
Debt service	328,686
Capital projects	1,465,744
Food service	50,436
Unrestricted	(11,561,020)
TOTAL NET POSITION	$ (2,088,789)

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

UNIONVILLE-SEBEWAING AREA SCHOOLS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS	TOTAL GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
Governmental activities:				
Instruction	$ 5,156,107	$ 16,820	1,310,912	$ (3,828,375)
Support services	3,352,720	69,169	41,263	(3,242,288)
Community services	24	-	-	(24)
Non-public school student services	6,446	-	-	(6,446)
Payments to other governments	9,287	-	-	(9,287)
Food service	374,347	140,902	27,270	(206,175)
Interest on long-term obligations	223,883	-	189,168	(34,715)
Depreciation - Unallocated	76,997	-	-	(76,997)
Total governmental activities	$ 9,199,811	$ 226,891	$ 1,568,613	(7,404,307)
General revenues:				
Property taxes, levied for general purposes				1,460,771
Property taxes, levied for debt service				1,457,747
State sources - unrestricted				4,666,476
Investment earnings				35,682
Miscellaneous				51,365
Total general revenues				7,672,041
CHANGE IN NET POSITION				267,734
NET POSITION - Beginning of year				(2,356,523)
NET POSITION - End of year				$ (2,088,789)

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

UNIONVILLE-SEBEWAING AREA SCHOOLS

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	GENERAL	COMBINED DEBT RETIREMENT	COMBINED CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUND - FOOD SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and deposits	$ 427,587	$ 363,401	$ -	$ 83,005	$ 873,993
Investments	635,195	-	-	-	635,195
Accounts receivable	9,477	-	-	349	9,826
Due from other funds	27,239	32	-	-	27,271
Due from other governmental units	1,442,487	-	-	9,032	1,451,519
Inventory	-	-	-	10,651	10,651
Prepaid expenditures	13,777	-	-	-	13,777
Restricted cash - Capital projects	-	-	1,465,744	-	1,465,744
TOTAL ASSETS	$ 2,555,762	$ 363,433	$ 1,465,744	$ 103,037	$ 4,487,976
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	$ 80,213	$ -	$ -	$ -	$ 80,213
Due to other funds	32	-	-	27,239	27,271
Due to other governmental units	7,571	-	-	-	7,571
Accrued salaries and wages	529,316	-	-	1,317	530,633
Accrued teacher benefits	177,213	-	-	322	177,535
Accrued interest payable	12,336	-	-	-	12,336
Prepaid meals	-	-	-	13,072	13,072
Unearned revenue	300	-	-	-	300
State aid note payable	600,000	-	-	-	600,000
TOTAL LIABILITIES	1,406,981	-	-	41,950	1,448,931
FUND BALANCE:					
Nonspendable:					
Inventory	-	-	-	10,651	10,651
Prepaid expenditures	13,777	-	-	-	13,777
Restricted for:					
Debt service	-	363,433	-	-	363,433
Capital projects	-	-	1,465,744	-	1,465,744
Food service	-	-	-	50,436	50,436
Assigned for:					
Subsequent year expenditures	47,032	-	-	-	47,032
Unassigned	1,087,972	-	-	-	1,087,972
TOTAL FUND BALANCE	1,148,781	363,433	1,465,744	61,087	3,039,045
TOTAL LIABILITIES AND FUND BALANCE	$ 2,555,762	$ 363,433	$ 1,465,744	$ 103,037	$ 4,487,976

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

UNIONVILLE-SEBEWAING AREA SCHOOLS

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL ACTIVITIES NET POSITION
JUNE 30, 2019

TOTAL GOVERNMENTAL FUND BALANCES		$ 3,039,045
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pensions		3,891,426
Deferred inflows of resources - related to pensions		(1,055,043)
Deferred outflows of resources - related to other postemployment benefits		547,154
Deferred inflows of resources - related to other postemployment benefits		(788,731)
Deferred inflows of resources - related to state funding for pensions		(427,489)
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 33,524,052	
Accumulated depreciation is	(16,120,577)	17,403,475
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds payable	9,915,000	
Drain project payable	35,246	
Compensated absences	51,632	
Accrued interest payable on long-term obligations	34,747	(10,036,625)
Certain transactions related to the advance refunding of the 2001 bonds are reported as revenue and expenditures in the fund financial statements, however they are reported as assets or liabilities in the government-wide financial statements. The transactions include the following:		
Deferred charge on bond refunding	355,406	
Less: Accumulated amortization	(118,470)	236,936
Premium on bond refunding	(109,901)	
Less: Accumulated amortization	47,101	(62,800)
Net other postemployment benefit liability		(3,076,906)
Net pension liability		(11,759,231)
NET POSITION - GOVERNMENTAL ACTIVITIES		$ (2,088,789)

UNIONVILLE-SEBEWAING AREA SCHOOLS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2019

	GENERAL	COMBINED DEBT RETIREMENT	COMBINED CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUND - FOOD SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUE:					
Local sources:					
Taxes	$ 1,113,694	$ 1,458,237	$ 347,189	$ -	$ 2,919,120
Food service	-	-	-	140,902	140,902
Intermediate school district	92,924	-	-	-	92,924
Other local revenue	158,414	3,943	10,679	-	173,036
State sources	5,504,437	-	-	11,154	5,515,591
Federal sources	410,136	-	-	216,438	626,574
TOTAL REVENUE	7,279,605	1,462,180	357,868	368,494	9,468,147
EXPENDITURES:					
Instruction	4,503,979	-	-	-	4,503,979
Supporting services	3,070,608	-	-	-	3,070,608
Community services	24	-	-	-	24
Non-public school student services	6,446	-	-	-	6,446
Payments to other governments	9,287	-	-	-	9,287
Food service	-	-	-	372,377	372,377
Capital projects	-	-	168,553	-	168,553
Debt service:					
Abated taxes	-	490	112	-	602
Principal repayment	-	1,180,000	-	-	1,180,000
Interest and fiscal charges	-	226,733	-	-	226,733
TOTAL EXPENDITURES	7,590,344	1,407,223	168,665	372,377	9,538,609
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(310,739)	54,957	189,203	(3,883)	(70,462)
OTHER FINANCING SOURCES (USES):					
Indirect costs	22,910	-	-	(22,910)	-
TOTAL OTHER FINANCING SOURCES (USES)	22,910	-	-	(22,910)	-
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(287,829)	54,957	189,203	(26,793)	(70,462)
FUND BALANCE - JULY 1	1,436,610	308,476	1,276,541	87,880	3,109,507
FUND BALANCE - JUNE 30	$ 1,148,781	$ 363,433	$ 1,465,744	$ 61,087	$ 3,039,045

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

UNIONVILLE-SEBEWAING AREA SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (70,462)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Depreciation expense	$ (788,849)	
Capital outlays	281,823	(507,026)
Certain transactions related to the advance refunding of bonds are reported as revenue and expenditures in the fund financial statements, however they are reported as assets or liabilities in the government-wide financial statements. The transactions include the following:		
Amortization of bond premium	7,850	
Amortization of bond refunding costs	(35,541)	(27,691)
Drain project repayments affect long-term liabilities in the statement of net position and does not affect the statement of activities.		7,050
Bond proceeds and repayments affect long-term liabilities in the statement of net position and do not affect the statement of activities.		
Proceeds from long-term debt	-	
Repayment of bond principal	1,180,000	1,180,000
Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.		
Accrued interest payable - beginning of year	37,597	
Accrued interest payable - end of year	(34,747)	2,850
Accrued compensated absences are recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid.		
Accrued compensated absences - beginning of year	56,406	
Accrued compensated absences - end of year	(51,632)	4,774
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Other postemployment benefits items		138,038
Pension related items		(442,663)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:		
State aid funding for pension, beginning of year	410,353	
State aid funding for pension, end of year	(427,489)	(17,136)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 267,734

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

UNIONVILLE-SEBEWAING AREA SCHOOLS

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	AGENCY FUNDS
ASSETS	
Cash and deposits	$ 119,647
TOTAL ASSETS	$ 119,647
LIABILITIES:	
Due to student organizations	$ 119,647
TOTAL LIABILITIES	$ 119,647

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Unionville-Sebewaing Area School District is a consolidated school system located in Huron and Tuscola Counties, Michigan. The School has approximately 732 students in grades kindergarten through twelve. The school operates under a seven person elected Board of Education.

The basic financial statements of the Unionville-Sebewaing Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

The Reporting Entity:

The Unionville-Sebewaing Area Schools (the "District") is governed by the Unionville-Sebewaing Area Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by U.S. GAAP. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements (GASB).

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. State Foundation Aid, property taxes, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Government-Wide and Fund Financial Statements: (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, state sources, intermediate district sources, interest income and other revenues.) The statement of activities reduces gross expenses by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

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

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

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are reported through governmental funds.

The District reports the following **major** governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenue is derived primarily from property taxes and State and Federal distributions, grants and other intergovernmental revenue.

Debt Service Fund - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund – The Capital Project Sinking Fund records capital project activities funded with a sinking fund millage. The District has complied with the applicable provisions of section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

The 2013 School Building and Site Bonds and the 2016 Technology Bond Capital Project Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of section 1351(a) of the Revised School Code.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Major Funds: (Continued)

Capital Projects Fund (Continued)

The capital projects fund accounts for the revenue and expenditures that are related to the proceeds from the issuance of general obligation bonds that are for the purpose of partially remodeling, furnishing and refurbishing, equipping and re-equipping school facilities; acquiring, installing and equipping educational technology for school facilities; purchasing school buses; construction and equipping a new running track; and developing and improving sites.

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the 2013 capital projects fund. The projects for which the 2013 School Building and Site Bonds were issued were considered complete on June 30, 2018 and the cumulative expenditures recognized for the construction period were as follows:

Revenue and other financing sources	$6,049,601
Expenditures	$5,882,656

The above revenue amount includes net bond proceeds of $5,850,000.

The following is a summary of the revenue and expenditures for the 2016 Technology bond activity since inception of the fund through the current fiscal year:

Revenue and other financing sources	$674,258
Expenditures	$339,821

The above revenue amount includes net bond proceeds of $670,000.

Other Non-major Funds:

Special Revenue Fund – This fund type is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund financial statements include the Food Service Fund.

Fiduciary Fund – This fund accounts for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide financial statements.

Agency Fund - This fund accounts for assets held in trust or agency for others. The District's agency fund is the Student Activity Fund.

Measurement Focus, Basis of Accounting, and Basis of Presentation

Accrual Method:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Modified Accrual Method:

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

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

State Revenue:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2019, the foundation allowance was based on the pupil membership counts taken in February and October of the previous year.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and funded through payments from October 2018 to August 2019. Thus, the unpaid portion at June 30th is reported as a receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as unearned revenue.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Cash and Equivalents:

The District's cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

Investments:

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to-from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Inventory and Prepaid Items:

Inventory is valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method and consist of expendable supplies. The cost of such inventory is recorded as an expenditure when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/expenditures.

Capital Assets:

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

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

Improvements, buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and additions	50
Furniture and other equipment	5-20

Defined Benefit Plan:

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public 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 Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on bond refunding, pension, and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on bond refunding results from the difference in the carrying value of a refunded obligation and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding obligation. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The other items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Compensated Absences:

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

Long-Term Obligations:

In the government-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 amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance:

The District implemented GASB Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions."* This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Debt Service, Capital Projects, and Food Service fund balances are considered restricted.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Fund Balance: (Continued)

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

Property Taxes:

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the taxes become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2019, the School District levied the following amounts per $1,000 of taxable valuation:

Fund	Mills
General Fund:	
Non-Principal Resident Exemption (PRE)	18.000
Commercial Personal Property	6.000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	4.620
Sinking fund:	
PRE, Non-PRE, Commercial Personal Property	1.100

Use of Estimates:

The process of preparing financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Annual budgets are adopted on a basis consistent with U.S. GAAP for the general fund and special revenue fund. The capital projects funds are appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to July 1, the budget is legally enacted by a School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2019.

During the year ended June 30, 2019, the School District incurred expenditures in certain budgetary funds that were in excess of the amounts appropriated as follows:

	Budget	Actual	Variance
General Fund			
Vocational education	$ 75,470	$ 77,374	$ 1,904
Athletics	227,696	234,670	6,974

NOTE 3 – CASH DEPOSITS AND INVESTMENTS:

A reconciliation of cash deposits and investments as shown on the Statement of Net Position and Statement of Fiduciary Net Position follows:

Statement of Net Position	
Government-wide Financial Statement Captions:	
Cash and deposits	$ 873,993
Restricted cash - Capital projects	1,465,744
Investments	635,195
Statement of Fiduciary Net Position	
Cash and deposits	119,647
Total	$ 3,094,579
Notes to Financial Statements	
Deposits	$ 2,459,159
Cash on hand	225
Investments	635,195
Total	$ 3,094,579

As of June 30, 2019, the District had the following investments.

Investment type	Fair value	Weighted average maturity (years)	Standard & Poor's rating	%
MILAF External Investment pool - CMC	$ 9	0.0027	AAAm	0.0%
MILAF External Investment pool - MAX	635,186	0.0027	AAAm	100.0%
Total fair value	$ 635,195			100.0%
Portfolio weighted average maturity		0.0027		

1 day maturity equals approximately .0027 years.

The District voluntarily invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximates fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, the District's bank balance was $2,841,142, of which $500,000 was insured by the FDIC, and $2,341,142 was not insured by the FDIC. The carrying amount is $2,459,384.

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

The District will minimize custodial credit risk by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments that have this type of risk.

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risks and others.

NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair value measurement. (Continued)
Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the School District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

	Interfund receivable	Interfund payable
General Fund	$ 27,239	$ 32
Food Service	-	27,239
Debt Service	32	-
Total	$ 27,271	$ 27,271

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur.

NOTE 5 – RECEIVABLES:

Receivables at June 30, 2019, from other governmental units consist of the following:

Local revenue	$ 45,235
State revenue	997,073
Federal revenue	409,211
Total	$1,451,519

Because of the District's favorable collection experience, no allowance for uncollectible accounts has been recorded.

NOTE 6 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	2018	Additions	Disposals	2019
Assets not being depreciated:				
Land	$ 491,700	$ -	$ -	$ 491,700
Total assets not being depreciated	491,700	-	-	491,700
Capital assets, being depreciated:				
Buildings and additions	28,514,250	-	-	28,514,250
Site improvements	1,874,331	-	-	1,874,331
Equipment and fixtures	1,738,180	194,437	-	1,932,617
Vehicles other than buses	44,104	-	-	44,104
School buses	579,664	87,386	-	667,050
Total capital assets being depreciated	32,750,529	281,823	-	33,032,352
Accumulated depreciation:				
Buildings and additions	12,343,693	588,102	-	12,931,795
Site improvements	1,324,420	69,699	-	1,394,119
Equipment and fixtures	1,173,650	91,168	-	1,264,818
Vehicles other than buses	31,630	3,176	-	34,806
School buses	458,335	36,704	-	495,039
Total accumulated depreciation	15,331,728	788,849	-	16,120,577
Net capital assets	$ 17,910,501	$ (507,026)	$ -	$ 17,403,475

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 395,015
Support services	303,519
Food service	1,970
Athletics	11,348
Unallocated	76,997
Total depreciation	$ 788,849

NOTE 7 – NOTE PAYABLE:

At June 30, 2019, the District has issued a note payable in the amount of $600,000 which has an interest rate of 2.39% and matures on August 20, 2019. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the District as well as pledged state aid. In an event of the unavailability or insufficiency of state school aid for any reason, this note is payable from tax levies within the District's constitutional and statutory limitations or from unencumbered funds of the District. Upon the occurrence of any default event, the outstanding amounts, including accrued interest, become immediately due and payable. Activity for the year ended June 30, 2019 is as follows:

NOTE 7 – NOTE PAYABLE: (CONTINUED)

2018	Additions	Payments	2019
$800,000	$600,000	$800,000	$600,000

NOTE 8 – LONG-TERM OBLIGATIONS:

The following is a summary of the changes in the long-term obligations during the year ended June 30, 2019:

	2018	Additions	Payments	2019	Due within one year
General obligation bonds	$ 11,095,000	$ -	$ 1,180,000	$ 9,915,000	$ 1,320,000
Issuance premium	70,650	-	7,850	62,800	7,850
Drain project assessments	42,296	-	7,050	35,246	7,050
Compensated absences	56,406	-	4,774	51,632	-
Totals	$ 11,264,352	$ -	$ 1,199,674	$10,064,678	$ 1,334,900

The District issued general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2016 general obligation refunding bonds due in annual installments of $540,000 to $715,000 through May 1, 2027, with interest at 0.75% to 2.35%	$ 4,695,000
2013 general obligation bonds due in annual installments of $340,000 to $735,000 starting May 1, 2017 through May 1, 2027, with interest at 1% to 2.75% starting November 1, 2013.	4,720,000
2016 School Technology Bonds due in annual installments of $70,000 to $280,000 through May 1, 2021, with interest at 0.85% to 1.75%.	500,000
Plus issuance premium	62,800
Total general obligation bonds	9,977,800
July 7, 2009, drain project assessment due in equal annual principal installments of $7,050 through July 15, 2024. Interest at 5.5%.	35,246
Compensated absences	51,632
Total general long-term obligations	$ 10,064,678

NOTE 8 – LONG-TERM OBLIGATIONS: (CONTINUED)

The District has defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2019, $4,885,000 of the bonds outstanding are considered defeased.

The annual requirements to amortize the long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2019, are as follows:

Years ending	General obligation bonds		Drain assessment		
June 30,	Principal	Interest	Principal	Interest	Total
2020	$1,320,000	$ 208,486	$ 7,050	$ 1,939	$ 1,537,475
2021	1,395,000	187,880	7,050	1,551	1,591,481
2022	1,135,000	164,146	7,050	1,163	1,307,359
2023	1,160,000	143,182	7,050	775	1,311,007
2024	1,180,000	120,056	7,046	388	1,307,490
2025-2027	3,725,000	190,897	-	-	3,915,897
	9,915,000	1,014,647	35,246	5,816	10,970,709
Issuance premium	62,800	-	-	-	62,800
Compensated absences	-	-	-	-	51,632
Totals	$9,977,800	$1,014,647	$ 35,246	$ 5,816	$ 11,085,141

Interest expense (all funds) for the year ended June 30, 2019 was approximately $224,000.

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS:

Plan Description

The Michigan Public School Employee's retirement System (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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

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

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Basic	Defined benefit	Closed
Member Investment Plan (MIP)	Defined benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

Benefit provisions of the defined pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB plan members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Pension Reform 2010

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

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

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

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

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

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

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

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

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Pension Reform 2012 (Continued)

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

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

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

Pension Reform of 2017

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

Benefits Provided – Other postemployment benefit (OPEB)

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

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Retiree Healthcare Reform of 2012

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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility – A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided the member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The 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.

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Employer Contributions (Continued)

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

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

	Pension	Other postemployment benefit
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately $951,933, with $605,242 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately $282,336, with $270,149 specifically for the Defined Benefit Plan.

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

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

Pension Liabilities

At June 30, 2019, the District reported a liability of $11,759,231 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was .03912% and .03990%, respectively.

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Pension Liabilities (Continued)

MPSERS (Plan) Non-university employers:	September 30, 2018	September 30, 2017
Total pension liability	$ 79,863,694,444	$ 72,407,218,688
Plan fiduciary net position	$ 49,801,889,205	$ 46,492,967,573
Net pension liability	$ 30,061,805,239	$ 25,914,251,115
Proportionate share	0.03912%	0.03990%
Net pension liability for the District	$ 11,759,231	$ 10,339,206

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

For the year ended June 30, 2019, the District recognized pension expense of $1,555,701.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred (inflows) of resources
Differences between actual and expected experience	$ 54,565	$ (85,452)
Changes of assumptions	2,723,428	-
Net difference between projected and actual earnings on pension plan investments	-	(804,033)
Changes in proportion and differences between employer contributions and proportionate share of contributions	203,849	(165,558)
Employer's contributions subsequent to the measurement date	909,584	-
Totals	$ 3,891,426	$ (1,055,043)

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

$909,584 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Years ending September 30,	Amount
2019	$ 840,383
2020	589,250
2021	361,067
2022	136,099

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

OPEB Liabilities

At June 30, 2019, the District reported a liability of $3,076,906 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.03871% and 0.04000 %.

MPSERS (Plan) **Non-university employers**	**September 30, 2018**	**September 30, 2017**
Total other postemployment benefit liability	$ 13,932,170,264	$ 13,920,945,991
Plan fiduciary net position	$ 5,983,218,473	$ 5,065,474,948
Net other postemployment benefit liability	$ 7,948,951,791	$ 8,855,471,043
Proportionate share	0.03871%	0.04000%
Net other postemployment benefit liability for the District	$ 3,076,906	$ 3,541,784

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

For the year ended June 30, 2019, the District recognized OPEB expense of $130,721.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

	Deferred outflows of resources	Deferred (inflows) of resources
Difference between actual and expected experience	$ -	$(572,691)
Changes of assumptions	325,846	-
Net difference between projected and actual earnings on OPEB plan investments	-	(118,253)
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,166	(97,787)
Employer's contributions subsequent to the measurement date	215,142	-
Total	$ 547,154	$(788,731)

$215,142, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending September 30,	Amount
2019	$ (109,640)
2020	(109,640)
2021	(109,640)
2022	(86,436)
2023	(41,363)

Actuarial Assumptions

Investment rate of return for pension – 7.05% per year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% per year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus plan).

Investment rate of return for OPEB – 7.15% per year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%.

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Actuarial Assumptions (Continued)

Inflation – 3.0%

Mortality assumptions –

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: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare cost trend rate for other postemployment benefit – 7.5% for year one and graded to 3.0% in year twelve.

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

Opt Out Assumption – 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement – 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Actuarial Assumptions (Continued)

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012: (Continued)

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment category	Target allocation	Long-term expected real rate of return*
Domestic Equity Pools	28.00%	5.70%
Private Equity Pools	18.00%	9.20%
International Equity Pools	16.00%	7.20%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	3.90%
Absolute Return Pools	15.50%	5.20%
Short Term Investment Pools	2.00%	0.00%
	100.00%	

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

Pension discount rate – A single discount rate of 7.05% was used to measure the total pension liability (7.00% for Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB discount rate – A single discount rate of 7.15% 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 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Actuarial Assumptions (Continued)

Sensitivity of the net pension liability to changes in the discount rate – The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 7.05% (7.00% for Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$15,438,962	$11,759,231	$8,701,973

Sensitivity of the net OPEB liability to changes in the discount rate -The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefits		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	$3,693,764	$3,076,906	$2,558,054

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates – The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefits		
	1% trend decrease	Healthcare cost trend rates	1% trend increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	$2,530,722	$3,076,906	$3,703,492

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2018 Comprehensive Annual Financial Report.

NOTE 9 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Pension and OPEB Plan Fiduciary Net Position (Continued)

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

NOTE 10 – OPERATING LEASES:

The School District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the unpaid balances of the lease agreements are not reflected in the School District's long-term debt.

The following is a schedule by year of future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2019.

Years ending June 30,	Amount
2020	$ 22,216
2021	20,704
Total minimum payments required	$ 42,920

NOTE 11 – CONTINGENT LIABILITY:

The School District is a reimbursing employer for purposes of unemployment insurance claims against the School District. The School District reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. The contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 12 – RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2019 or any of the prior three years.

NOTE 13 – SUBSEQUENT EVENTS:

Subsequent to year-end, the District entered into an agreement to borrow $704,000 from Michigan Finance Authority. The borrowing assists the District with cash flow during the months there are no state aid and property taxes received. The notes are dated August 20, 2019, and carry interest at 1.30%. The notes mature August 20, 2020.

NOTE 14 – TAX ABATEMENTS:

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds by the municipality under these programs are as follows:

Municipality	
Sebewaing Township	$ 4,927

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

NOTE 15 – COMMITMENTS:

The District has active capital projects outstanding at June 30, 2019. Approximately $1,465,744 is restricted and recorded as fund balance in the capital projects funds.

NOTE 16 – UPCOMING ACCOUNTING STANDARDS:

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

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase 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 based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

UNIONVILLE-SEBEWAING AREA SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

	BUDGETED AMOUNTS			VARIANCE WITH
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
REVENUE:				
Local sources:				
Taxes	$ 1,133,566	$ 1,113,652	$ 1,113,694	$ 42
Athletics	63,054	57,279	57,471	192
Intermediate school district	99,742	92,645	92,924	279
Other local revenue	58,816	90,587	100,943	10,356
State sources:				
State school aid-Restricted	892,965	834,552	837,961	3,409
Other state aid revenue	4,646,629	4,686,620	4,666,476	(20,144)
Federal sources	410,501	410,737	410,136	(601)
TOTAL REVENUE	7,305,273	7,286,072	7,279,605	(6,467)
EXPENDITURES:				
Instruction:				
Elementary	1,806,374	1,838,340	1,825,346	12,994
Middle school	715,938	712,592	703,766	8,826
High school	1,292,156	1,293,657	1,280,372	13,285
Special education	455,641	454,282	453,675	607
Compensatory education	170,673	165,457	163,446	2,011
Vocational education	85,413	75,470	77,374	(1,904)
Total instruction	4,526,195	4,539,798	4,503,979	35,819
Supporting services:				
Support services - pupil	464,974	461,154	456,472	4,682
Instructional staff	98,395	111,687	102,736	8,951
General administration	239,099	241,505	236,200	5,305
School administration	515,771	466,822	459,763	7,059
Business administration	157,606	185,371	183,106	2,265
Maintenance and operations	750,246	900,825	890,965	9,860
Other support services:				
Transportation	311,214	327,679	327,251	428
Data processing	188,598	184,057	179,445	4,612
Athletics	228,640	227,696	234,670	(6,974)
Total supporting services	2,954,543	3,106,796	3,070,608	36,188
Community services	100	50	24	26
Non-public school student services	5,342	6,492	6,446	46
Payments to other governments	9,720	9,287	9,287	-
TOTAL EXPENDITURES	7,495,900	7,662,423	7,590,344	72,079

(Continued)

UNIONVILLE-SEBEWAING AREA SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

	BUDGETED AMOUNTS			VARIANCE WITH
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(190,627)	(376,351)	(310,739)	65,612
OTHER FINANCING SOURCES (USES):				
Indirect costs	14,629	21,754	22,910	1,156
TOTAL OTHER FINANCING SOURCES (USES)	14,629	21,754	22,910	1,156
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(175,998)	(354,597)	(287,829)	66,768
FUND BALANCE - JULY 1	1,436,610	1,436,610	1,436,610	-
FUND BALANCE - JUNE 30	$ 1,260,612	$ 1,082,013	$ 1,148,781	$ 66,768

UNIONVILLE-SEBEWAING AREA SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.03912%	0.03990%	0.03961%	0.03813%	0.03734%
Reporting unit's proportionate share of net pension liability	$11,759,231	$10,339,206	$9,882,418	$9,312,408	$8,224,293
Reporting unit's covered-employee payroll	$3,295,229	$3,336,492	$3,401,034	$3,177,673	$3,253,076
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	356.86%	309.88%	290.57%	293.06%	252.82%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	62.36%	64.21%	63.27%	63.17%	66.20%

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

UNIONVILLE-SEBEWAING AREA SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2019	2018	2017	2016	2015
Statutorily required contributions	$ 927,553	$ 946,791	$ 977,117	$ 918,314	$ 743,001
Contributions in relation to statutorily required contributions	927,553	946,791	977,117	918,314	743,001
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Reporting unit's covered payroll	$ 3,440,946	$ 3,362,366	$ 3,361,629	$ 3,207,133	$ 3,190,126
Contributions as a percentage of covered payroll	26.96%	28.16%	29.07%	28.63%	23.29%

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

UNIONVILLE-SEBEWAING AREA SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.03871%	0.04000%
Reporting unit's proportionate share of net OPEB liability	$3,076,906	$3,541,784
Reporting unit's covered-employee payroll	$3,295,229	$3,336,492
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	93.37%	106.15%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	42.95%	36.39%

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

UNIONVILLE-SEBEWAING AREA SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2019	2018
Statutorily required contributions	$ 269,256	$ 242,780
Contributions in relation to statutorily required contributions	269,256	242,780
Contribution deficiency (excess)	$ -	$ -
Reporting unit's covered payroll	$ 3,440,946	$ 3,362,366
Contributions as a percentage of covered payroll	7.83%	7.22%

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

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

Pension Information

Benefit changes – there were no changes of benefit terms in 2018.

Changes of assumptions – the assumption changes for 2018 were:

Wages inflation rate decreased to 2.75% from 3.50%

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

Benefit changes – there were no changes of benefit terms in 2018.

Changes of assumptions – the assumption changes for 2018 were:

Wages inflation rate decreased to 2.75% from 3.50%

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%

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

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

ADDITIONAL SUPPLEMENTARY INFORMATION

UNIONVILLE-SEBEWAING AREA SCHOOLS

SCHEDULE OF BONDED INDEBTEDNESS
2013 SCHOOL BUILDING AND SITE BONDS
ISSUE DATED MAY 23, 2013 AT JUNE 30, 2019

MATURITY DATE	PRINCIPAL	INTEREST RATE	INTEREST AMOUNT	TOTAL
11/1/2019	$ -		$ 57,925	$ 57,925
5/1/2020	445,000	2.00%	57,925	502,925
11/1/2020	-		53,475	53,475
5/1/2021	485,000	2.00%	53,475	538,475
11/1/2021	-		48,625	48,625
5/1/2022	525,000	2.25%	48,625	573,625
11/1/2022	-		42,718	42,718
5/1/2023	565,000	2.25%	42,718	607,718
11/1/2023	-		36,362	36,362
5/1/2024	610,000	2.50%	36,362	646,362
11/1/2024	-		28,737	28,737
5/1/2025	655,000	2.75%	28,737	683,737
11/1/2025	-		19,731	19,731
5/1/2026	700,000	2.75%	19,731	719,731
11/1/2026	-		10,106	10,106
5/1/2027	735,000	2.75%	10,106	745,106
	$ 4,720,000		$ 595,358	$ 5,315,358

UNIONVILLE-SEBEWAING AREA SCHOOLS

SCHEDULE OF BONDED INDEBTEDNESS
2016 REFUNDING BONDS
ISSUE DATED FEBRUARY 8, 2016 AT JUNE 30, 2019

MATURITY DATE	PRINCIPAL	INTEREST RATE	INTEREST AMOUNT	TOTAL
11/1/2019	$ -		$ 42,273	$ 42,273
5/1/2020	655,000	1.30%	42,273	697,273
11/1/2020	-		38,015	38,015
5/1/2021	630,000	1.45%	38,015	668,015
11/1/2021	-		33,448	33,448
5/1/2022	610,000	1.50%	33,448	643,448
11/1/2022	-		28,873	28,873
5/1/2023	595,000	1.75%	28,873	623,873
11/1/2023	-		23,666	23,666
5/1/2024	570,000	1.95%	23,666	593,666
11/1/2024	-		18,109	18,109
5/1/2025	555,000	2.05%	18,109	573,109
11/1/2025	-		12,420	12,420
5/1/2026	540,000	2.25%	12,420	552,420
11/1/2026	-		6,346	6,346
5/1/2027	540,000	2.35%	6,346	546,346
	$ 4,695,000		$ 406,297	$ 5,101,297

$6,715,000 of 2006 Refunding Bonds were refunded as presented in the above schedule.

UNIONVILLE-SEBEWAING AREA SCHOOLS

SCHEDULE OF BONDED INDEBTEDNESS
2016 SCHOOL TECHNOLOGY BONDS
ISSUE DATED JULY 11, 2016 AT JUNE 30, 2019

MATURITY DATE	PRINCIPAL	INTEREST RATE	INTEREST AMOUNT	TOTAL
11/1/2019	$ -		$ 4,045	$ 4,045
5/1/2020	220,000	1.45%	4,045	224,045
11/1/2020	-		2,450	2,450
5/1/2021	280,000	1.75%	2,450	282,450
	$ 500,000		$ 12,990	$ 512,990

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
Unionville Sebewaing Area Schools
Sebewaing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unionville Sebewaing Area Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Unionville Sebewaing Area School's basic financial statements, and have issued our report thereon dated October 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Unionville Sebewaing Area School'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 Unionville Sebewaing Area School's internal control. Accordingly, we do not express an opinion on the effectiveness of Unionville Sebewaing Area School'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unionville Sebewaing Area School'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.

Nietzke & Faupel P.C.

NIETZKE & FAUPEL, P.C.
Pigeon, Michigan

October 4, 2019