

Melvindale Northern Allen Park Public Schools  
Audited Financial Statements  
June 30, 2019

*Prepared by Taylor & Morgan, P.C.*

2302 Stonebridge Drive, Bldg. D | Flint, MI 48532 | 810.230.8200  
3150 Livernois Road, Suite 175 | Troy, MI 48083 | 248.688.9399  
8832 Blakeney Professional Dr., Suite 107 | Charlotte, NC 28277 | 704.926.7570

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## INDEPENDENT AUDITORS' REPORT

September 30, 2019

Board of Education

Melvindale-Northern Allen Park Public Schools

### 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 the Melvindale-Northern Allen Park Public 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.

### Auditors' 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 of material misstatement.

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

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

#### FLINT, MI OFFICE

G-2302 STONEBRIDGE DR., BUILDING D,  
FLINT, MICHIGAN 48532  
OFFICE # (810) 230-8200 FAX # (810) 230-8203

#### CHARLOTTE, NC OFFICE

8832 Blakeney Professional Dr., Suite 107  
CHARLOTTE, NC 28277  
OFFICE # (704) 926-7570 FAX # (810) 230-8203

#### TROY, MI OFFICE

3150 LIVERNOIS RD., SUITE 175  
TROY, MI 48532  
OFFICE # (248) 688-9399 FAX # (248) 688-9397

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Melvindale-Northern Allen Park Public Schools as of June 30, 2019 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan information on pages 4-8 and 35-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Melvindale-Northern Allen Park Public Schools' basic financial statements. The introductory, combining individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 on our consideration of the Melvindale-Northern Allen Park Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 Melvindale-Northern Allen Park Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Melvindale-Northern Allen Park Public Schools' internal control over financial reporting and compliance.

Sincerely,

***Taylor & Morgan, P.C.***

Taylor & Morgan, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(MD & A)

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS – Melvindale, Michigan  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019

Our discussion and analysis of Melvindale-Northern Allen Park Public Schools' financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2019.

**FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The District's *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safeness of the schools, must also be considered when assessing the *overall health* of the School District.

The School District's net position totaled \$(33,727,524) at June 30, 2019 and \$(29,862,524) at June 30, 2018. At June 30, 2019, \$(48,459,728) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use those net positions for day-to-day operations.

	June 30, 2019	June 30, 2018
<b>Assets</b>		
Current assets	\$ 17,300,572	\$ 19,061,598
Capital assets net of depreciation	16,349,598	16,866,567
	<hr/>	<hr/>
Total assets	33,650,170	35,928,165
 Deferred Outflows of Resources	 22,576,944	 11,867,170
 <b>Liabilities</b>		
Current liabilities	5,055,066	4,605,981
Current portion of long-term liabilities	937,771	798,770
Long-term liabilities	76,005,550	68,734,631
	<hr/>	<hr/>
Total liabilities	81,998,387	74,139,382
 Deferred Inflows of Resources	 7,956,251	 3,518,477
 <b>Net Position</b>		
Invested in capital assets, net of related debt	8,615,350	8,407,519
Restricted for food service	719,999	642,072
Unrestricted	(43,062,873)	(38,912,115)
	<hr/>	<hr/>
Total net position	\$ (33,727,524)	\$ (29,862,524)



The \$(48,459,728) in unrestricted net position of governmental activities represents District funds that have not been committed contractually or for debt obligations and are available for future use.

Total net position decreased by \$3,865,000 during the fiscal year ended June 30, 2019. The major components of the change are as follows:

- Capital acquisitions  
Capital outlay for the year ended June 30, 2019 totaled \$289,677. Combined with current year depreciation and the effect of capital asset disposals, the decrease in net capital assets totaled \$516,969.
- Debt repayment  
The repayment of debt decreases the District's long-term principal obligations and, as a result, the net assets of the district increase. The District repaid \$720,000 of long-term debt in the current fiscal year.
- GASB No. 68 Adjustment  
Adjustments to the government-wide statements include an increase in pension expenses totaling \$2,242,036.
- GASB No. 75 Adjustment  
Adjustments to the government-wide statements include a decrease in OPEB expenses totaling \$446,630.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. Below is a summary of the Government-wide results of operations for the year ended June 30, 2019 and June 30, 2018:

	June 30, 2019	June 30, 2018
General revenue		
Property taxes levied for general operations	\$ 4,667,807	\$ 4,460,662
State of Michigan aid, unrestricted	20,170,767	19,247,148
Other – federal, state and local	1,924,833	1,565,915
Total general revenue	26,763,407	25,273,725
Program revenue		
Charges for services – local	40,249	131,169
Operating grants – federal and state	9,728,977	8,958,552
Total revenues	36,532,633	34,363,446
Expenses		
Instruction	22,018,311	20,811,659
Support services	16,263,636	13,247,145
Community services	73,640	47,454
Food services	1,747,758	1,617,302
Interest on long-term debt	294,288	333,207
Total expenses	40,397,633	36,056,767
Change in net position	(3,865,000)	(1,693,321)
Net Position - July 1	(29,862,524)	(13,226,339)
Restatement for implementation of GASB 75	-	(14,942,864)
Net Position – June 30	\$ (33,727,524)	\$ (29,862,524)

GASB Statement No. 68 required the District to include its share of the Michigan Public School Retirees (MPERS) Net Pension Liability on the government-wide statements. The District's share of this liability equaled \$54,356,085 and \$45,500,240 as of September 30, 2018 and 2017, respectively.

GASB Statement No. 75 required the District to include its share of the Michigan Public School Retirees (MPERS) Net OPEB Liability on the government-wide statements. The District's share of this liability equaled \$14,704,465 and \$15,544,391 as of September 30, 2018 and 2017, respectively.

### **GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS**

The financial statements provide the following insight about the result of this year's operations. The financial condition of the governmental funds decreased by \$2,214,911 from the prior year. The General Fund decreased by \$2,285,407. The Food Service Fund increased by \$70,496.

### **MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements are known. Currently, the most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2019, the School District amended the General Fund budget two times.

#### ***General Fund***

In the General Fund, the actual revenue and other financing sources totaled approximately \$34.66 million. This is above the original budget estimate of \$33.36 million and closely approximates the final amended budgeted amount of \$34.63 million. The actual expenditures and other financing uses of the general fund totaled approximately \$36.95 million. This is below the original budget estimate of \$37.92 million and below the final amended budgeted amount of approximately \$37.84 million.

The variances between the actual revenues and the original and final revenue budgets are due primarily to adjustments to property taxes, Medicaid reimbursement, E-rate reimbursement, investment income, State Aid adjustments for pupil count, additional MPERS categorical funding, special education categorical funding, Federal grant carryover, increased Act 18 funding, increased enhancement millage revenue, and additional indirect transfers.

The variances between the actual General Fund expenditures and the original and final expenditure budgets are primarily due to under-spending in basic programs, added needs, pupil services, instructional staff, operation and maintenance, central services, and facilities acquisition, construction, and improvements. Carry-over of Federal and State programs largely contributed to the underspending in added needs. The district is currently in the third year of a large capital outlay project to replace the high school track. At the time of budget adoption for the 18-19 school year, it was unknown how much of the project would be paid for during the school year. The budget was adjusted slightly down from the original budget to reflect how much was estimated to be paid during the 18-19 school year.

The district is currently leasing two Konica Minolta copiers. The leases are 48 months, with one monthly payment of \$107, and one monthly payment of \$375, for a total monthly outlay of \$482. There are 35 payments remaining.

The district is currently leasing two 2019 Thomas school buses. There are 30 quarterly payments of \$4,164 due. There are 27 payments remaining.

The district is in year three of enhancement millage funding. The decision was made to use the enhancement millage funding for general purposes and to improve programs.

General Fund revenues totaled approximately \$32.95 million and expenditures totaled approximately \$36.23 million for the year. The fund balance totaled approximately \$11.56 million at June 30, 2019.

### **GOVERNMENTAL FUND EXPENDITURES AND OTHER FINANCING USES**

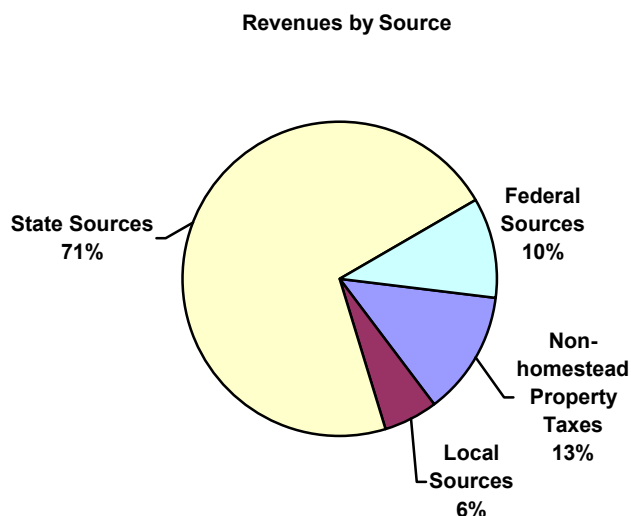
The following chart illustrates that general fund comprises approximately 95% of all the expenditures within the governmental funds of the School District which is consistent with the prior year. For the year ended June 30, 2019, expenditures and other financing uses totaled approximately \$38.82 million for all

District programs. The ending fund balance for all funds was approximately \$12.29 million of which approximately \$0.73 million was reserved for food service.

	Expenditures and Other Financing Uses June 30, 2019 (in millions)	% of Total	Expenditures and Other Financing Uses June 30, 2018 (in millions)	% of Total
General Fund	\$36.9	95%	\$33.7	95%
Other Non-Major Funds	1.9	5%	1.7	5%
Total	<u>\$38.8</u>	<u>100%</u>	<u>\$35.4</u>	<u>100%</u>

### **TOTAL REVENUES & OTHER FINANCING SOURCES**

Revenues and other financing sources for all governmental funds totaled approximately \$36.60 million. The following graph illustrates the District revenues and other financing sources by source as a percentage of total revenue:



### ***Unrestricted State Aid***

The District's operating costs are predominately funded by State Aid. The district's per-pupil allowance was \$7,962. This consists of approximately \$6,460 from State Aid and \$1,502 from local sources. State Aid membership was computed for the 2018-19 school year with a blended count of 10% of the February and 90% of the September counts.

### ***Property Taxes***

The District is subject to the Headlee rollback and levies 17.9046 mills of property taxes on all Non-Homestead property located within the district for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2018-19 Non-Homestead property tax levy totaled approximately \$4.6 million.

### **ENROLLMENT**

The District's 2018 Fall Membership enrollment totaled 3,108 students, an increase of 81 students from the prior year.

### **CAPITAL ASSET**

At the end of fiscal year 2019, the School District had approximately \$32.5 million invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, approximately \$16.2 million has

been depreciated. Net book value totals approximately \$16.3 million. Additions totaled \$289,677 for the year and were comprised of buildings and additions, and furniture and equipment. There were no disposals during the year. The District is committed to the timely repairs and maintenance of its facilities. Computer purchases are under the District's capitalization threshold of \$5,000 and are expensed accordingly.

Capital Assets at June 30, 2019 and 2018 are illustrated as follows:

	Capital Assets at Year End (Net of Depreciation)	
	<u>2019</u>	<u>2018</u>
Land and Improvements	\$ 0.170	\$ 0.170
Buildings and Additions	15.468	16.021
Furniture and Equipment	0.355	0.415
Vehicles and Buses	0.357	0.260
Total	<u>\$ 16.350</u>	<u>\$ 16.866</u>

#### **OUTSTANDING DEBT AT YEAR-END**

At June 30, 2019, the School District had \$7.7 million in bonds outstanding for Capital Projects. Debt service is paid from the General Fund.

Vacation time earned but not used and payable at June 30, 2019 amounted to \$192,771.

The Net Pension Liability recognized with GASB Statement No. 68 totaled \$54,356,085 as of September 30, 2018.

The Net OPEB Liability recognized with GASB Statement No. 75 totaled \$14,704,465 as of September 30, 2018.

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

#### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This report is designed to give an overview of the financial conditions of the Melvindale-Northern Allen Park School District. If you should desire additional detailed financial program audits, they can be obtained by contacting:

Sandra Gutenschwager  
 Director of Finance  
 Melvindale-Northern Allen Park Public Schools  
 18530 Prospect Street  
 Melvindale, MI 48122  
 Office Telephone (313) 389-3300, Fax (313) 928-8379  
 Or Email - GutensS@melnapschools.com

## BASIC FINANCIAL STATEMENTS

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents, and investments	\$ 11,312,911
Accounts receivable	311,064
Due from student groups	249
Due from other governmental units	5,418,782
Inventory and cafeteria prepaid	10,519
Prepaid costs	247,047
Capital assets	
Land and land improvements	170,358
Buildings and improvements	29,207,042
Equipment and furniture	1,222,832
Vehicles	1,946,937
Less: accumulated depreciation	<u>(16,197,571)</u>
Net Capital Assets	<u>16,349,598</u>
Total Assets	33,650,170
Deferred Outflows of Resources	
Differences between expected and actual experience	252,222
Changes of assumptions	14,146,034
Changes in proportion and differences between employers contributions and proportionate share of contributions	2,854,063
Contributions subsequent to measurement date	<u>5,324,625</u>
Total Deferred Outflows of Resources	22,576,944
<b>Liabilities</b>	
Accounts payable	362,844
Salaries payable	2,563,561
Payroll deductions and withholdings	1,247,524
Accrued interest on long-term debt	44,248
Other accrued liabilities	108,675
Advances from grantors	728,214
Current portion of accumulated unpaid benefits	192,771
Long-term Liabilities	
Due within 1 year	745,000
Due in more than 1 year:	
Net pension liability	54,356,085
Net OPEB liability	14,704,465
Other liabilities	<u>6,945,000</u>
Total Liabilities	81,998,387
Deferred Inflows of Resources	
Deferred premium on bond refunding	463,803
Difference between expected and actual experience	3,131,875
Net difference between projected and actual earnings on pension plan investments	4,281,702
Changes in proportion and differences between District contributions and proportionate share	<u>78,871</u>
Total Deferred Inflows of Resources	7,956,251
<b>Net Position</b>	
Invested in capital assets, net of related debt	8,615,350
Restricted for:	
Food service	719,999
Unrestricted	<u>(43,062,873)</u>
Total Net Position	<u>\$ (33,727,524)</u>

See accompanying notes to basic financial statements.

MELVINDALE-ALLEN PARK PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants and	Changes in
			Contributions	Net Position
Functions/Programs				
Governmental Activities				
Instruction	\$ 22,018,311	\$ -	\$ 7,515,045	\$ (14,503,266)
Support services	16,263,636	-	304,136	(15,959,500)
Community services	73,640	9,792	-	(63,848)
Food services	1,747,758	30,457	1,909,796	192,495
Interest on long-term debt	<u>294,288</u>	<u>-</u>	<u>-</u>	<u>(294,288)</u>
Total governmental activities	\$ <u>40,397,633</u>	\$ <u>40,249</u>	\$ <u>9,728,977</u>	<u>(30,628,407)</u>
General Purpose Revenues				
Property tax - General Fund				4,667,807
State school aid - unrestricted				20,170,767
Unrestricted contributions				38,276
Investment earnings				86,009
Miscellaneous				<u>1,800,548</u>
				<u>26,763,407</u>
Change in Net Position				(3,865,000)
Net Position - July 1 (restated - see Note 14)				<u>(29,862,524)</u>
Net Position - June 30				\$ <u><u>(33,727,524)</u></u>

See accompanying notes to basic financial statements.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Non-major Funds - Food Service	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 10,146,059	\$ 1,166,852	\$ 11,312,911
Accounts receivable	311,064	-	311,064
Due from other governmental units	5,407,164	11,618	5,418,782
Interfund receivable	449,704	-	449,704
Inventory	-	10,519	10,519
Prepaid costs	247,047	-	247,047
<b>Total Assets</b>	<b>\$ 16,561,038</b>	<b>\$ 1,188,989</b>	<b>\$ 17,750,027</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 360,651	\$ 2,193	\$ 362,844
Salaries payable	2,563,561	-	2,563,561
Payroll deductions and withholdings	1,247,524	-	1,247,524
Other accrued liabilities	101,852	6,823	108,675
Interfund payable	-	449,455	449,455
Advances from grantors	728,214	-	728,214
<b>Total Liabilities</b>	<b>5,001,802</b>	<b>458,471</b>	<b>5,460,273</b>
<b>Fund Balance</b>			
Non spendable	247,047	10,519	257,566
Restricted:			
Food service	-	719,999	719,999
Assigned:			
Board policy	3,558,559	-	3,558,559
Budgeted future use	1,580,730	-	1,580,730
Unassigned	6,172,900	-	6,172,900
<b>Total Fund Balance</b>	<b>11,559,236</b>	<b>730,518</b>	<b>12,289,754</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 16,561,038</b>	<b>\$ 1,188,989</b>	<b>\$ 17,750,027</b>

See accompanying notes to basic financial statements.



MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019

Total Governmental Fund Balances		\$ 12,289,754
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of net assets	\$ 32,547,169	
Accumulated depreciation	<u>(16,197,571)</u>	16,349,598
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds payable	\$ 7,690,000	
Net OPEB liability	14,704,465	
Net pension liability	54,356,085	
Accumulated unpaid benefits payable	<u>192,771</u>	
Total long-term liabilities		(76,943,321)
Deferred inflows of resources resulting from debt refunding.		(463,803)
Deferred inflows and outflows related to the implimentation of GASB statement No. 68 are not included as assets and liabilites in the governmental funds.		
Deferred inflows	\$ (4,187,324)	
Deferred outflows	<u>19,277,373</u>	15,090,049
Deferred inflows and outflows related to the implimentation of GASB statement No. 75 are not included as assets and liabilites in the governmental funds.		
Deferred inflows	\$ (3,305,124)	
Deferred outflows	<u>3,299,571</u>	(5,553)
In the statement of net position, interest has been accrued on bonds payable as of June 30, 2019		<u>(44,248)</u>
Total Net Position - governmental activities		<u>\$ (33,727,524)</u>

See accompanying notes to basic financial statements.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Non-major Funds - Food Service	Total Governmental Funds
Revenues			
Property taxes	\$ 4,667,807	\$ -	\$ 4,667,807
Other local sources	295,836	30,457	326,293
State sources	26,070,558	71,755	26,142,313
Federal sources	1,919,390	1,838,041	3,757,431
Total revenues	<u>32,953,591</u>	<u>1,940,253</u>	<u>34,893,844</u>
Current Expenditures			
Instruction			
Basic programs	15,370,879	-	15,370,879
Added needs	4,690,962	-	4,690,962
Total instruction	<u>20,061,841</u>	<u>-</u>	<u>20,061,841</u>
Support services			
Pupil services	1,863,777	-	1,863,777
Instructional staff services	1,696,824	-	1,696,824
General administration	466,909	-	466,909
School administration	2,082,305	-	2,082,305
Business services	757,856	-	757,856
Operation and maintenance	3,015,270	-	3,015,270
Pupil transportation	1,775,376	-	1,775,376
Central services	780,481	-	780,481
Athletics activities	407,818	-	407,818
Community services	73,640	-	73,640
Other supporting services	-	1,722,189	1,722,189
Total support services	<u>12,920,256</u>	<u>1,722,189</u>	<u>14,642,445</u>
Capital Projects			
Capital outlay and other costs	3,246,202	25,569	3,271,771
Total capital outlay and other costs	<u>3,246,202</u>	<u>25,569</u>	<u>3,271,771</u>
Total expenditures	<u>36,228,299</u>	<u>1,747,758</u>	<u>37,976,057</u>
Excess (deficiency) of revenues over (under) expenditures	(3,274,708)	192,495	(3,082,213)
Other financing sources (uses)			
Payments from other governments	1,587,302	-	1,587,302
Principal payments	(720,000)	-	(720,000)
Operating transfers in	122,000	1	122,001
Operating transfers out	(1)	(122,000)	(122,001)
Total other financing sources (uses)	<u>989,301</u>	<u>(121,999)</u>	<u>867,302</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,285,407)	70,496	(2,214,911)
Fund balance - July 1	<u>13,844,643</u>	<u>660,022</u>	<u>14,504,665</u>
Fund balance - June 30	<u>\$ 11,559,236</u>	<u>\$ 730,518</u>	<u>\$ 12,289,754</u>

See accompanying notes to basic financial statements.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Total net change in fund balances - governmental funds	\$	(2,214,911)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	\$	289,677	
Depreciation Expense		<u>(806,646)</u>	(516,969)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments reported as expenditures in the governmental funds.	720,000
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Accumulated unpaid benefits are recorded as liabilities in the statement of net position, but are not recorded in the governmental funds statement. The (increase)/decrease in accumulated unpaid benefits at June 30, 2019 was	(114,001)
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Pension expense in the government-wide statements has been adjusted to reflect the requirements of GASB Statement No. 68. This is the amount of the adjustment to pension expense in the government-wide statements:	(2,242,036)
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OPEB expense in the government-wide statements has been adjusted to reflect the requirements of GASB Statement No. 75. This is the amount of the adjustment to pension expense in the government-wide statements:	446,630
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Interest on long-term debt in the statement of activities includes accrued interest while the governmental funds statement does not. The decrease in accrued interest at June 30, 2019 was	4,800
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Amortization of the deferred premium on the 2015 bond issue is recorded in the Statement of Activities over the life of the bonds. This is the current amortization of deferred premium for the current year.	<u>51,487</u>
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Change in net position of governmental activities	\$	<u><u>(3,865,000)</u></u>
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See accompanying notes to basic financial statements.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND  
JUNE 30, 2019

Assets

Cash and cash equivalents	\$ <u>189,232</u>
Total assets	<u>\$ 189,232</u>

Liabilities

Due to student and other groups	\$ 188,036
Due to general fund	249
Accounts payable	<u>947</u>
Total liabilities	<u>\$ 189,232</u>

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Melvindale-Northern Allen Park Public Schools conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies of the School District:

**Reporting Entity**

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

**Basic Financial Statements – Government-wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: invested in capital assets net of related debt; restricted net position; and unrestricted net position. 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. General government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function.

Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District allocates indirect costs to certain federal programs and the Cafeteria fund. The amounts allocated for the year ended June 30, 2019 amounted to \$122,000. Inter-fund transactions have been eliminated in the government-wide financial statements.

**Basic Financial Statements - Fund Financial Statements**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 1 - Summary of Significant Accounting Policies (continued)**

Basic Financial Statements - Fund Financial Statements (continued)

means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into three generic fund types in two broad fund categories as follows:

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 accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds - Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains one school service fund, which is the Food Service Fund.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent.

Activities (Agency) Funds - Agency Funds are used to account for assets held by the School District as an agent, are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

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

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 1 - Summary of Significant Accounting Policies (continued)**

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

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

**Cash and Investments**

Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificates of deposit with original maturities less than 180 days. The District reports its investments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at 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. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

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 (FDIC) or National Credit Union Administration (NCUA), respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments outlined above.

**Inventories** - Items purchased for future use are recorded as inventory and charged to expenditure accounts when requisitioned for use. Food Service Fund inventory consists of food and paper goods recorded at cost and commodity inventory recorded at fair market value as determined by the USDA.

**Capital Assets** – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. The District has adopted a \$5,000 capitalization threshold for recording capital assets. Donated fixed assets are valued at their estimated fair market value on the date received.

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



MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

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

**Property Taxes**

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the District's boundaries. The District's entire tax base is within Wayne County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 15. Collections are forwarded to the District as collected by the assessing municipality. Real property taxes uncollected as of March 1 are purchased by Wayne County and remitted to the District by June 30, or soon thereafter.

Property taxes are recognized in the accounting period when they become measurable and available to finance operations. Available means when due or past due and receivable within the current period and collected no longer than 60 days after the current period.

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

**Compensated Absences** – The liability for compensated absences reported in the district-wide financial statements is comprised of earned but unused accumulated vacation leave benefits and accumulated prior banked sick time

Vacation time earned but not used at June 30, 2019 and 2018 amounted to \$192,771 and \$78,770 respectively.

**Economic Dependency** - The District receives approximately 72% of its operating revenue through the foundation allowance from the State of Michigan. This figure includes property taxes collected for operations.

**Concentrations** - Substantially all employees of the District are covered under collective bargaining agreements. The Melvindale-Northern Allen Park Federation of Teachers Local 1051, AFT, AFL-CIO, Teamsters Local 214 Non-Teaching Union, and the Melvindale-Northern Allen Park Federation of Paraprofessionals Local 4913 Melvindale-Northern Allen Park School Related Personnel, AFT/AFL-CIO agreements will expire on June 30, 2020, June 30, 2021, and June 30, 2022, respectively.

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

**Postemployment Benefits Other Than Pensions** - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 1 - Summary of Significant Accounting Policies (continued)**

about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

**Note 2 - Budget and Budgetary Accounting**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (The Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for the General and Special Revenue Funds and an informational study of Capital Project Funds of school districts prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Act. The Act requires expenditures to be budgeted on a functional basis. A district is not considered to be in violation of the Act if reasonable procedures are in use by the district to detect violations.

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

1. The District's superintendent submits to the Board of Education a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The superintendent is authorized to transfer budgeted amounts between functions within any fund with the approval of the Budget and Finance Committee; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
4. Budgets for the General, Capital Projects, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations, which were amended.
6. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

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

**Budgetary information,**

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. In the body of the financial statements, the District's actual and budgeted expenditures for the period have been shown as adopted by function on a modified accrual basis.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 2 - Budget and Budgetary Accounting (continued)**

**Excess of expenditures over appropriations in budgeted funds**

The District did not have significant expenditure budget variances.

**Note 3 - Deposits and Investments**

At June 30, 2019, the District had the following investments:

<b><i>General Fund</i></b>	
Comerica Bank J-Fund High Yield Savings	,\$ 747,648
MILAF	2,091,671
Flagstar Bank CDARS	1,020,593
Total	\$ <u>3,859,912</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Cumulatively, portfolios of the District may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total District portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the District's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2019, the District's investments with Comerica Bank and Flagstar Bank are unrated.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2019, \$1,520,593 of the District's deposit balances were insured and \$10,350,957 of its deposit balances were uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent.

Custodial credit risk for investments 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. This risk is minimized by the District through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The District is not authorized to invest in investments that would be subject to this type of risk.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 4 - Changes in Capital Assets**

Summary of capital asset transactions:

	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Assets not depreciated:				
Land & improvements	\$ 170,358	\$ -	\$ -	\$ 170,358
Other capital assets:				
Buildings & additions	29,101,285	105,757	-	29,207,042
Furniture & equipment	1,211,912	10,920	-	1,222,832
Vehicles & buses	1,773,937	173,000	-	1,946,937
Subtotal	32,257,492	289,677	-	32,547,169
Buildings & additions	(13,080,686)	(658,819)	-	(13,739,505)
Furniture & equipment	(796,619)	(71,513)	-	(868,132)
Vehicles & buses	(1,513,620)	(76,314)	-	(1,589,934)
Subtotal	(15,390,925)	(806,646)	-	(16,197,571)
Net capital assets	<u>\$ 16,866,567</u>	<u>\$ (516,969)</u>	<u>\$ -</u>	<u>\$ 16,349,598</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 683,526
Support Services	123,120
Total Depreciation Expense	<u>\$ 806,646</u>

**Note 5 – Tax Abatements**

Effective for the year ended June 30, 2017, the District is required to disclose significant tax abatements as required by GASB statement 77.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

As part of section 22 of the State School Aid Act, any taxes abated for the General Fund operating millage are paid to the District by the State of Michigan. The District was not significantly impacted by tax abatements for the year ended June 30, 2019.

**Note 6 - Long-Term Debt**

**2015 REFUNDING BONDS**

On January 13, 2015, the District issued \$9,290,000 in General Obligation – Limited Tax Bonds with an interest rate ranging from 2.0% to 4.0%. The District issued the bonds to advance refund the remaining \$9,665,000 of the outstanding 2005 Refunding Bond Issue with an interest rate of 4.133%. As a result, the remaining portion of the 2005 Refunding Bonds are considered defeased, and the District has removed the liability from its accounts. This

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 6 - Long-Term Debt (continued)**

refunding resulted in an economic gain of approximately \$969,958. The outstanding balance of the bonds was \$7,690,000 at June 30, 2019.

The following is a summary of long-term debt transactions for the year ended June 30, 2019:

	Compensated Absences	Bonded Debt	Total
Balance June 30, 2018	\$ 78,770	\$ 8,410,000	\$ 8,488,770
Additions	192,771	-	192,771
Retirements & payments	<u>(78,770)</u>	<u>(720,000)</u>	<u>(798,770)</u>
Balance June 30, 2019	192,771	7,690,000	7,882,771
Less: Current portion	<u>(192,771)</u>	<u>(745,000)</u>	<u>(937,771)</u>
Total due after one year	\$ <u>-</u>	\$ <u>6,945,000</u>	\$ <u>6,945,000</u>

Future principal and interest requirements for the bonded debt to be paid from General Fund monies are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 745,000	\$ 265,488	\$ 1,010,488
2021	775,000	235,688	1,010,688
2022	805,000	204,688	1,009,688
2023	825,000	187,582	1,012,582
2024	855,000	154,582	1,009,582
2025-2028	<u>3,685,000</u>	<u>362,076</u>	<u>4,047,076</u>
Total	\$ <u>7,690,000</u>	\$ <u>1,410,104</u>	\$ <u>9,100,104</u>

Interest expense in the General Fund totaled \$294,288 and \$321,888 for the years ended June 30, 2019 and 2018 respectively.

**Note 7 - Interfund Receivables and Payables**

Interfund receivable and payable balances as of June 30, 2019 are as follows:

	Due to Other Funds	Due from Other Funds
General Fund	\$ -	\$ 449,704
Student Activity Fund	249	-
Food Service Fund	<u>449,455</u>	-
Total	\$ <u>449,704</u>	\$ <u>449,704</u>

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 8 - Fund Balance**

**Non-spendable, Restricted, Committed, Assigned and Unassigned**

The Board of Education adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash.

Non-spendable:

Inventory	\$ 10,519
Prepaid expenses	247,047
Total Non-spendable	<u>\$ 257,566</u>

Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use those funds for day-to-day operations.

Restricted:

Food service	\$ 719,999
Total Restricted	<u>\$ 719,999</u>

Committed fund balance represents constrained amounts imposed by school board resolution. The district had no amounts committed at June 30, 2019.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Education, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Board of Education adopted the 2019-20 General Fund budget whereby expenditures exceeded revenues by \$1,580,730. The Board of Education also adopted a policy to assign 10% of 2019-20 budgeted expenditures. This amount is shown as Assigned fund balance as of June 30, 2019.

Assigned:

Board Policy	\$ 3,558,559
Budgeted Future Use	1,580,730
Total Assigned	<u>\$ 5,139,289</u>

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

The District applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

**Note 9 - Contingencies and Commitments**

The District has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

In May 2019, the District received notice from the State of Michigan regarding a lapse in certification of two School Administrators. The State intends to assess the District an amount pro-rata of the employee's salary. The District has retained counsel and appealed the assessment. Counsel was not able to reasonably estimate the likelihood of a negative outcome or an probably amount due.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 10 – Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty, employee injuries and medical benefits. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 11 – Subsequent Events**

Management has reviewed subsequent events through September 30, 2019, which is the date the financial statements were available to be issued.

**Note 12 – Defined Benefit Pension Plan**

**Plan Description**

The Michigan Public School Employees' Retirement System (MPERS) 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, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

**Benefits Provided**

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

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

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 12 – Defined Benefit Pension Plan (continued)**

**Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2039

The schedule below summarizes pension contribution rates in effect for fiscal year 2018.

**Pension Contribution Rates**

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	17.89 %
Member Investment Plan	3.0 - 7.0 %	17.89 %
Pension Plus	3.0 - 6.4 %	16.61 %
Pension Plus 2	6.2 %	19.74 %
Defined Contribution	0.0 %	13.54 %

Required contributions to the pension plan from the District were \$4,923,616 for the year ended September 30, 2018.

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

At June 30, 2019, the District reported a liability of \$54,356,085 for its proportionate share of the MPSERS 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 rolled forward from September 30, 2017. The District's proportionate share of the net pension liability was determined by dividing each district's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable districts during the measurement period. At September 30, 2018, the District's proportion was .18081 percent, which was an increase of .00523 percent from its proportion measured as of September 30, 2017.

For the year ended June 30, 2019, the District recognized total pension expense of \$7,739,940. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 252,222	\$ 394,996
Changes of assumptions	12,588,824	-



MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 12 – Defined Benefit Pension Plan (continued)**

Net difference between projected and actual earnings on pension plan investments	-	3,716,574
Changes in proportion and differences between District contributions and proportionate share of contributions	2,118,996	75,754
District contributions subsequent to the measurement date*	4,317,331	-
<b>Total</b>	<b>\$ <u>19,277,373</u></b>	<b>\$ <u>4,187,324</u></b>

\*Contributions subsequent to the measurement date, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

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

Year Ending June 30	Amount:
2019	\$4,423,328
2020	\$3,265,825
2021	\$2,203,336
2022	\$880,229

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Actuarial Assumptions

Valuation Date	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
- MIP and Basic Plans:	7.05%
- Pension Plus Plan:	7.00%
- Pension Plus 2 Plan:	6.00%
Projected Salary Increases:	2.75 – 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 12 – Defined Benefit Pension Plan (continued)**

Mortality: Retirees: RP-2014 Male and Female Combined Healthy Life Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled to 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006

**Notes:**

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

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

**Long-Term Expected Return on Plan Assets (continued)**

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Private Equity Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	<u>2.0</u>	0.0
<b>TOTAL</b>	<u>100.0</u> %	

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

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 12 – Defined Benefit Pension Plan (continued)**

**Rate of Return**

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

As required by GASB Statement No. 68, the following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase</b>
<b>6.05% / 6.0% / 5.0%</b>	<b>7.05% / 7.0% / 6.0%</b>	<b>8.05% / 8.0% / 7.0%</b>
\$71,365,341	\$54,356,085	\$40,224,158

**Michigan Public Schools Employees Retirement System (MPERS) Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Note 13 – Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

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

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

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 13 – Postemployment Benefits Other Than Pensions (OPEB) (continued)**

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

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

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by the State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by the statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2018 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

**Contributions**

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2018.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 13 – Postemployment Benefits Other Than Pensions (OPEB) (continued)**

**OPEB Contribution Rates**

Benefit Structure	Member	Employer
Premium Subsidy	3.00 %	6.44 %
Personal Healthcare Fund (PHF)	0.00 %	6.13 %

Required contributions to the OPEB plan from the District were \$1,200,739 for the year ended September 30, 2018.

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

At June 30, 2019, The District reported a liability of \$14,704,465 for its proportionate share of the MPSERS 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 rolled forward from September 30, 2017. The District's proportion share of the net OPEB liability was determined by dividing each district's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable districts during the measurement period. At September 30, 2018, the District's proportion was .18498 percent, which was a decrease of .00945 percent from its proportion measured as of October 1, 2017.

For the year ended June 30, 2019, the District recognized total OPEB expense of \$878,552. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,736,879
Changes of assumptions	1,557,210	-
Net difference between projected and actual earnings on OPEB plan investments	-	565,128
Changes in proportion and differences between District contributions and proportionate share of contributions	735,067	3,117
District contributions subsequent to the measurement date*	<u>1,007,294</u>	-
<b>Total</b>	<b>\$ <u>3,299,571</u></b>	<b>\$ <u>3,305,124</u></b>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 13 – Postemployment Benefits Other Than Pensions (OPEB) (continued)**

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

Year Ending June 30,	Amount:
2019	\$(270,127)
2020	\$(270,127)
2021	\$(270,127)
2022	\$(158,457)
2023	\$(44,009)

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Actuarial Assumptions

Valuation Date	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	7.15%
Projected Salary Increases:	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12

Mortality: Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006

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

Other Assumptions:

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

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 13 – Postemployment Benefits Other Than Pensions (OPEB) (continued)**

**Notes:**

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return*</b>
Domestic Equity Pools	28.0 %	5.7 %
% Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	<u>2.0</u>	0.0
<b>TOTAL</b>	<b><u>100.0</u> %</b>	

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

**Rate of Return**

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 13 – Postemployment Benefits Other Than Pensions (OPEB) (continued)**

**Discount Rate**

A 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net OPEB liability calculated using a discount rate of 7.15%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

<b>1% Decrease</b>	<b>Current Single Discount Rate</b>	<b>1% Increase</b>
<b>6.15%</b>	<b>7.15%</b>	<b>8.15%</b>
\$17,652,412	\$14,704,465	\$12,224,882

**Sensitivity of the District's Proportionate Share of the OPEB liability to Healthcare Cost Trend Rate**

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

<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
\$12,094,261	\$14,704,465	\$17,698.903

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at [www.michigan.com/orsschools](http://www.michigan.com/orsschools).

**Note 14 – Leases**

The District leased various office equipment under 4 year operating leases which expire in 2022. Monthly payments on these leases total \$482. The District also leased two school buses under 4 year operating leases with expiration in 2022. Quarterly payments on these leases total \$4,164 per bus. Total future minimum lease payments are as follows:

<b>Year Ended</b>	<b>Future</b>
<b>June 30,</b>	<b>Payments</b>
2020	\$ 39,097
2021	39,097
2022	38,615
	<u>\$ 116,809</u>



## REQUIRED SUPPLEMENTAL INFORMATION

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local sources	\$ 4,628,064	\$ 4,889,414	\$ 4,963,643	\$ 74,229
State sources	25,712,283	26,093,317	26,070,558	(22,759)
Federal sources	1,803,850	2,075,899	1,919,390	(156,509)
Total revenues	<u>32,144,197</u>	<u>33,058,630</u>	<u>32,953,591</u>	<u>(105,039)</u>
Expenditures				
Education				
Instruction				
Basic programs	15,855,452	15,574,078	15,370,879	203,199
Added needs	4,619,530	4,954,789	4,690,962	263,827
Supporting services				
Pupil services	2,016,373	1,926,552	1,863,777	62,775
Instructional staff	1,749,571	1,757,603	1,696,824	60,779
General administration	474,841	473,493	466,909	6,584
School administration	2,129,613	2,101,440	2,082,305	19,135
Business services	794,161	784,519	757,856	26,663
Operation and maintenance	3,157,846	3,096,871	3,015,270	81,601
Transportation	1,630,949	1,787,369	1,775,376	11,993
Central services	866,305	822,184	780,481	41,703
Athletic activities	437,011	427,065	407,818	19,247
Community services	68,395	100,769	73,640	27,129
Facilities acquisition, construction, and improvements	<u>3,400,000</u>	<u>3,300,000</u>	<u>3,246,202</u>	<u>53,798</u>
Total expenditures	<u>37,200,047</u>	<u>37,106,732</u>	<u>36,228,299</u>	<u>878,433</u>
Excess (deficiency) of revenues over (under) expenditures	(5,055,850)	(4,048,102)	(3,274,708)	773,394
Other financing sources (uses)				
Payments from other governments	1,120,000	1,460,885	1,587,302	126,417
Bond proceeds			-	-
Principal payments	(721,500)	(720,000)	(720,000)	-
Operating transfers in	100,000	114,000	122,000	8,000
Operating transfers out	<u>(2,940)</u>	<u>(14,357)</u>	<u>(1)</u>	<u>14,356</u>
Excess (deficiency) of other financing sources over (under) other financing uses	<u>495,560</u>	<u>840,528</u>	<u>989,301</u>	<u>148,773</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(4,560,290)	(3,207,574)	(2,285,407)	922,167
Fund balance - July 1	<u>13,844,643</u>	<u>13,844,643</u>	<u>13,844,643</u>	<u>-</u>
Fund balance - June 30	<u>\$ 9,284,353</u>	<u>\$ 10,637,069</u>	<u>\$ 11,559,236</u>	<u>\$ 922,167</u>

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION  
PENSION PLAN INFORMATION  
JUNE 30, 2019

**Schedule of District's Proportionate Share of the Net Pension Liability  
Determined As of 9/30 of Each Fiscal Year**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability (%)	0.18081%	0.17558%	0.17195%	0.16667%	0.16233%
District's proportionate share of net pension liability	\$ 54,356,085	\$ 45,500,240	\$ 42,901,351	\$ 40,710,174	\$ 35,755,479
District's covered-employee payroll	\$ 15,774,635	\$ 14,807,340	\$ 14,739,663	\$ 13,956,513	\$ 13,838,969
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	345%	307%	291%	292%	258%
Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%

**Schedule of the District's Contributions  
Determined as of 6/30 of Each Fiscal Year**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 4,923,616	\$ 4,118,283	\$ 3,861,337	\$ 3,215,358	\$ 4,028,663
Contributions in relation to statutorily required contributions	\$ 4,923,616	\$ 4,118,283	\$ 3,861,337	\$ 3,215,358	\$ 4,028,663
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 16,986,847	\$ 15,556,034	\$ 14,739,663	\$ 13,995,243	\$ 14,022,812
Contributions as a percentage of covered-employee payroll	28.98%	26.47%	26.20%	22.97%	28.73%

Notes

See Note 12 to the financial statements for the discussion of benefit terms and assumptions.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION  
OPEB PLAN INFORMATION  
JUNE 30, 2019

**Schedule of District's Proportionate Share of the Net OPEB Liability  
Determined As of 9/30 of Each Fiscal Year**

	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (%)	0.18499%	0.17553%
District's proportionate share of net OPEB liability	\$ 14,704,465	\$ 15,544,391
District's covered-employee payroll	\$ 15,774,635	\$ 14,807,340
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93%	105%
Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%

**Schedule of the District's Contributions  
Determined as of 6/30 of Each Fiscal Year**

	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,200,739	\$ 1,366,608
Contributions in relation to statutorily required contributions	<u>\$ 1,200,739</u>	<u>\$ 1,366,608</u>
Contribution deficiency/(excess)	\$ -	\$ -
District's covered-employee payroll	\$ 16,986,848	\$ 15,556,034
Contributions as a percentage of covered-employee payroll	7.07%	8.79%

**Notes**

See Note 13 to the financial statements for the discussion of benefit terms and assumptions.

## OTHER SUPPLEMENTAL INFORMATION

MELVINDALE-NORTHERN-ALLEN PARK PUBLIC SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2019  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2019	June 30, 2018
Local sources		
Property tax levy	\$ 4,667,807	\$ 4,460,662
Earnings on investments	86,009	55,890
Contributions and grants	38,276	206,150
Interest on delinquent taxes	2,069	1,185
Medicaid	148,837	132,640
Athletic gate receipts	9,792	18,545
Other	<u>10,853</u>	<u>8,620</u>
Total revenues from local sources	4,963,643	4,883,692
State sources		
Grants - unrestricted		
State school aid	20,170,767	19,247,148
Grants - restricted		
Special education	1,156,249	1,172,777
At risk	1,851,982	1,733,047
MPERS credit	2,477,520	2,488,107
Other	<u>414,040</u>	<u>290,292</u>
Total revenues from state sources	26,070,558	24,931,371
Federal sources		
Grants - restricted		
Title I	846,864	730,655
Title II A	169,164	128,261
Title III	199,957	197,237
Special education - I.D.E.A.	568,433	483,694
Other	<u>134,972</u>	<u>25,360</u>
Total revenues from federal sources	1,919,390	1,565,207
Other financing sources		
Payments from other governments	1,587,302	1,109,943
Operating transfers/Indirect cost allocation	<u>122,000</u>	<u>114,000</u>
Total other financing sources	<u>1,709,302</u>	<u>1,223,943</u>
Total revenues and other financing sources	\$ <u><u>34,662,893</u></u>	\$ <u><u>32,604,213</u></u>

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2019  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Salaries & Benefits	Purchased Services	Supplies & Materials	Other Costs	Totals	
					June 30, 2019	June 30, 2018
Instruction						
Basic programs						
Elementary	\$ 4,137,901	\$ 171,790	\$ 122,288	\$ 100	\$ 4,432,079	\$ 4,490,220
Middle school	2,284,913	107,829	74,846	1,264	2,468,852	2,524,821
High school	2,286,094	261,807	104,811	-	2,652,712	2,514,163
Other basic programs	100,711	36,617	5,439	-	142,767	106,460
Employee benefits	5,674,469	-	-	-	5,674,469	5,606,186
Added needs						
Special education	842,443	16,462	4,600	65	863,570	740,194
Compensatory education	1,151,020	293,803	83,556	-	1,528,379	1,539,054
Vocational education	307,032	4,500	153,489	332,929	797,950	649,410
Employee benefits	1,501,063	-	-	-	1,501,063	1,302,532
Total instruction	18,285,646	892,808	549,029	334,358	20,061,841	19,473,040
Supporting services						
Pupil services						
Guidance services	287,896	15,000	-	-	302,896	303,114
Health services	-	62,108	195	-	62,303	36,066
Psychological services	90,579	1,250	4,126	-	95,955	91,431
Speech pathology audiology	147,004	6,817	1,169	-	154,990	157,772
Social work services	338,395	35,310	2,153	-	375,858	305,375
Other pupil services	162,433	77,067	3,863	-	243,363	214,673
Employee benefits	628,412	-	-	-	628,412	560,112
Instructional staff						
Improvement of instruction	619,204	204,699	57,695	-	881,598	782,456
Educational media services	119,974	-	19,165	-	139,139	133,058
Instruction related technology	-	-	5,186	-	5,186	19,074
Supervision direction - inst. staff	68,808	57	2,292	-	71,157	77,442
Student assessment	-	770	30,983	-	31,753	22,173
Other instructional staff	-	765	242	-	1,007	760
Employee benefits	566,984	-	-	-	566,984	489,308
General administration						
Board of education	3,960	68,019	-	29,827	101,806	71,624
Executive administration	209,421	6,816	15,990	-	232,227	228,382
Employee benefits	132,876	-	-	-	132,876	132,766
School administration						
Office of the principal	1,211,641	8,382	18,710	11,962	1,250,695	1,209,119
Employee benefits	831,610	-	-	-	831,610	804,829
Business services						
Fiscal services	248,981	12,782	8,474	1,194	271,431	266,589
Other business services	-	5,000	-	295,788	300,788	323,388
Employee benefits	185,637	-	-	-	185,637	195,556
Operations & maintenance						
Operation & maintenance of plant	1,036,699	739,077	431,113	559	2,207,448	2,153,766
Security services	-	-	-	-	-	723
Employee benefits	807,822	-	-	-	807,822	798,113
Pupil transportation						
Pupil transportation services	762,800	454,644	109,019	345	1,326,808	1,145,855
Employee benefits	448,568	-	-	-	448,568	461,800

(continued)

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2019  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

					Totals	
					June 30, 2019	June 30, 2018
	Salaries & Benefits	Purchased Services	Supplies & Materials	Other Costs		
Central services						
Planning, research, development, and evaluation	\$ -	\$ -	\$ 34,221	\$ -	\$ 34,221	\$ 26,851
Communication services	-	3,025	-	-	3,025	1,575
Staff/personnel services	36,090	13,461	-	-	49,551	46,083
Support services - technology	172,731	168,530	202,338	-	543,599	910,432
Other central services	8,222	-	-	-	8,222	-
Employee benefits	141,863	-	-	-	141,863	156,764
Total support services	9,268,610	1,883,579	946,934	339,675	12,438,798	12,127,029
Athletic activities						
Athletic activities direction	91,653	184,338	77,680	5,108	358,779	370,267
Employee benefits	49,039	-	-	-	49,039	41,179
Total athletic activities	140,692	184,338	77,680	5,108	407,818	411,446
Community services						
Community activities	13,600	25,426	11,480	-	50,506	24,994
Non-public school pupils	5,908	11,735	-	-	17,643	16,462
Employee benefits	5,491	-	-	-	5,491	5,998
Total community services	24,999	37,161	11,480	-	73,640	47,454
Capital outlay						
Site Improvement services	-	41,079	-	3,205,123	3,246,202	962,922
Total capital outlay	-	41,079	-	3,205,123	3,246,202	962,922
Total expenditures	27,719,947	3,038,965	1,585,123	3,884,264	36,228,299	33,021,891
Other financing uses						
Bonded debt payments	-	-	-	720,000	720,000	690,000
Operating transfers	-	-	-	1	1	3,346
Total other financing uses	-	-	-	720,001	720,001	693,346
Total expenditures and other financing uses	\$ 27,719,947	\$ 3,038,965	\$ 1,585,123	\$ 4,604,265	\$ 36,948,300	\$ 33,715,237
(concluded)						



MELIVNDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
Assets				
Cash and cash equivalents	\$ 204,508	\$ 530,725	\$ 546,001	\$ 189,232
	<u>\$ 204,508</u>	<u>\$ 530,725</u>	<u>\$ 546,001</u>	<u>\$ 189,232</u>
Liabilities				
Due to student and other groups	\$ 174,191	\$ 276,840	\$ 262,995	\$ 188,036
Due to general fund	28,774	253,885	282,410	249
Accounts payable	<u>1,543</u>	<u>-</u>	<u>596</u>	<u>947</u>
	<u>\$ 204,508</u>	<u>\$ 530,725</u>	<u>\$ 546,001</u>	<u>\$ 189,232</u>

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
2015 BOND ISSUE  
SCHEDULE OF INTEREST AND PRINCIPLE PAYMENTS  
JUNE 30, 2019

Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Amount of Annual Maturity	Fiscal Year Interest Requirements	Total
General Fund			11/1/19	\$ -	\$ 132,744	\$ 132,744
2015 Refunding Bonds		4.000%	5/1/20	745,000	132,744	877,744
1/13/15	\$ 9,290,000		11/1/20	-	117,844	117,844
		4.000%	5/1/21	775,000	117,844	892,844
			11/1/21	-	102,344	102,344
		2.125%	5/1/22	805,000	102,344	907,344
			11/1/22	-	93,791	93,791
		4.000%	5/1/23	825,000	93,791	918,791
			11/1/23	-	77,291	77,291
		2.375%	5/1/24	855,000	77,291	932,291
			11/1/24	-	67,138	67,138
		2.500%	5/1/25	875,000	67,138	942,138
			11/1/25	-	56,200	56,200
		4.000%	5/1/26	900,000	56,200	956,200
			11/1/26	-	38,200	38,200
		4.000%	5/1/27	935,000	38,200	973,200
			11/1/27	-	19,500	19,500
		4.000%	5/1/28	975,000	19,500	994,500
				<u>\$ 7,690,000</u>	<u>\$ 1,410,104</u>	<u>\$ 9,100,104</u>

## UNIFORM GUIDANCE INFORMATION

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

September 30, 2019

Board of Education  
Melvindale-Northern Allen Park Public Schools

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 the Melvindale-Northern Allen Park Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Melvindale-Northern Allen Park Public Schools' basic financial statements, and have issued our report thereon dated September 30, 2019.

**Internal Control Over Financial Reporting**

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

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

**FLINT, MI OFFICE**

G-2302 STONEBRIDGE DR., BUILDING D,  
FLINT, MICHIGAN 48532  
OFFICE # (810) 230-8200 FAX # (810) 230-8203

**CHARLOTTE, NC OFFICE**

8832 BLAKENEY PROFESSIONAL DR., SUITE 107  
CHARLOTTE, NC 28277  
OFFICE # (704) 926-7570 FAX # (810) 230-8203

**TROY, MI OFFICE**

3150 LIVERNOIS RD., SUITE 175  
TROY, MI 48532  
OFFICE # (248) 688-9399 FAX # (248) 688-9397

**Taylor & Morgan, C.P.A. P.C.**

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Melvindale-Northern Allen Park Public Schools' financial statements are free of 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Taylor & Morgan, P.C.*

TAYLOR & MORGAN, P.C.  
Certified Public Accountants

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

September 30, 2019

Board of Education  
Melvindale-Northern Allen Park Public Schools

**Report on Compliance for Each Major Federal Program**

We have audited Melvindale-Northern Allen Park Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Melvindale-Northern Allen Park Public Schools' major federal programs for the year ended June 30, 2019. Melvindale-Northern Allen Park Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Melvindale-Northern Allen Park Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Melvindale-Northern Allen Park Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Melvindale-Northern Allen Park Public Schools' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Melvindale-Northern Allen Park Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of Melvindale-Northern Allen Park Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Melvindale-Northern Allen Park Public Schools' internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Melvindale-Northern Allen Park Public Schools' internal control over compliance.

*A deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

***Taylor & Morgan, P.C.***

TAYLOR & MORGAN, P.C.  
Certified Public Accountants

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2019  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Award Grant/ Entitlement Program Amount	Accrued (Advanced) Revenue at July 1, 2018	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Advanced) Revenue at June 30, 2019
<u>US Dept. of Agriculture</u> <u>Passed through Mich. Dept. of Ed</u>								
National School Breakfast Program	10.553	191970	\$ 500,024	\$ -	\$ -	\$ 500,024	\$ 500,024	\$ -
National School Lunch Program	10.555	191960	1,201,833	-	-	1,201,833	1,201,833	-
Food Distribution Entitlement Commodities	10.550		114,081	-	-	114,081	114,081	-
National Summer School Lunch Program	10.559		22,103	-	-	22,103	22,103	-
Total Department of Agriculture			1,838,041	-	-	1,838,041	1,838,041	-
<u>US Department of Education</u> <u>Passed through Mich Dept of Ed</u>								
Title I Part A - Improving Basic Programs	84.010	181530/1718 191530/1819	894,782 879,890 1,774,672	113,986 - 113,986	778,071 - 778,071	115,708 709,261 824,969	1,722 797,726 799,448	- 88,465 88,465
Title III - Limited English Proficient Students	84.365	180570/1718 180580/1718 190570/1819 190580/1819	46,271 195,517 62,020 147,151 450,959	2,304 19,973 - - 22,277	21,085 175,456 - - 196,541	2,703 38,236 38,215 112,862 192,016	399 18,263 43,293 138,001 199,956	- - 5,078 25,139 30,217
Title II Part A - Teacher/Principal Training	84.367	180520/1718 190520/1819	143,027 187,273 330,300	13,001 - 13,001	128,261 - 128,261	13,001 158,225 171,226	- 169,164 169,164	- 10,939 10,939
Title IV Part A - Student Support	84.424 84.424	180750/1718 190750/1819	11,054 57,074 68,128	5,686 - 5,686	- - -	5,686 21,932 27,618	- 53,324 53,324	- 31,392 31,392
Total Passed through Mich Dept of Ed			2,613,005	154,950	1,102,873	1,215,829	1,221,892	161,013
<u>Passed through Wayne County RESA</u>								
Special Education - IDEA	84.027A	180450/1718 190450/1819	483,694 575,170 1,058,864	189,003 - 189,003	483,694 - 483,694	189,003 196,813 385,816	- 568,433 568,433	- 371,620 371,620
Carl D Perkins	84.048	77695	- -	- -	- -	75,291 75,291	77,236 77,236	1,945 1,945
Title XIX - Medical Assistance Program Outreach	93.778		4,415	-	-	4,415	4,415	-
Total Passed through Wayne County RESA			1,063,279	189,003	483,694	465,522	650,084	373,565
Total US Department of Education			3,676,284	343,953	1,586,567	1,681,351	1,871,976	534,578
Total Federal Awards			\$ 5,514,325	\$ 343,953	\$ 1,586,567	\$ 3,519,392	\$ 3,710,017	\$ 534,578



MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	<u>\$3,710,017</u>
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FEDERAL REVENUE RECOGNIZED PER THE BASIC  
FINANCIAL STATEMENTS

General Fund	\$1,919,390
School Service Fund	<u>1,838,041</u>
Total Federal Revenue Recognized	3,757,431
Less: Prior year Title I funds received after 8/31/18	<u>(47,414)</u>

TOTAL	<u>3,710,017</u>
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- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grant Auditor Report (Form R7120) and the Cash Management System Report (CMS) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 49 of this report.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
RECONCILIATION OF FORM R 7120 "GRANT AUDITOR'S REPORT"  
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Current Payments Per:	
Grant Auditor Report (Form R7120)	\$ 2,939,789
<u>Add:</u> Grants Passed Through the Wayne RESA	465,522
Entitlement and Bonus Commodities (CFDA 10.550)	<u>114,081</u>
 TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	 \$ <u><u>3,519,392</u></u>

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors report issued:	Unmodified
Internal control over financial reporting	
Material weakness(es) identified?	No
Significant deficiency (ies) identified?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Reportable conditions(s) identified that are not considered to be material weaknesses?	No
Audit findings required to be reported in accordance with the Uniform Guidance?	No
Type of auditors report issued on compliance for major programs:	Unmodified
Audit findings required to be reported in accordance with the Uniform Guidance?	No
Identification of major programs:	
<u>CFDA No.</u>	<u>Name of federal program</u>
CFDA 10.553	National School Breakfast
CFDA 10.555	National School Lunch
CFDA 10.550	Entitlement Commodities
CFDA 10.559	Summer Food Service
Dollar threshold used to distinguish type A and type B programs:	\$750,000
Did the auditee qualify as a low-risk auditee?	Yes

**Section II - Financial Statement Findings**

There were no current year findings.

September 30, 2019,

To the Board of Education of Melvindale Northern Allen Park Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Melvindale Northern Allen Park Public Schools for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

**FLINT, MI OFFICE**

G-2302 STONEBRIDGE DR., BUILDING D,  
FLINT, MICHIGAN 48532  
OFFICE # (810) 230-8200 FAX # (810) 230-8203

**CHARLOTTE, NC OFFICE**

8832 BLAKENEY PROFESSIONAL DR., SUITE 107  
CHARLOTTE, NC 28277  
OFFICE # (704) 926-7570 FAX # (704) 247-6433

**TROY, MI OFFICE**

3150 LIVERNOIS RD., SUITE 175  
TROY, MI 48063  
OFFICE # (248) 688-9399 FAX # (248) 688-9397

We have requested certain representations from management that are included in the management representation letter dated September 30, 2019.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

We applied certain limited procedures to the Required Supplemental Information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Other Information, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of Board of Education and management of Melvindale Northern Allen Park Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Taylor & Morgan, P.C.*

Taylor & Morgan, P.C.  
Certified Public Accountants