

Melvindale Northern Allen Park Public Schools
Audited Financial Statements
June 30, 2020

Prepared by Taylor & Morgan, P.C.

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INDEPENDENT AUDITOR'S REPORT

October 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2020 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, 2020

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, 2020.

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 \$(35,509,294) at June 30, 2020 and \$(33,437,637) at June 30, 2019 (restated). At June 30, 2020, \$(48,935,760) 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, 2020	June 30, 2019
Assets		
Current assets	\$ 17,818,888	\$ 17,590,459
Capital assets net of depreciation	<u>19,672,946</u>	<u>16,349,598</u>
Total assets	37,491,834	33,940,057
Deferred Outflows of Resources	26,387,039	22,576,944
Liabilities		
Current liabilities	5,812,074	5,055,066
Current portion of long-term liabilities	1,284,392	937,771
Long-term liabilities	<u>84,039,313</u>	<u>76,005,550</u>
Total liabilities	91,135,779	81,998,387
Deferred Inflows of Resources	8,252,388	7,956,251
Net Position		
Invested in capital assets, net of related debt	12,688,665	8,615,350
Restricted for food service	460,262	719,999
Restricted for student activities	277,539	289,887
Unrestricted	<u>(48,935,760)</u>	<u>(43,062,873)</u>
Total net position	\$ <u>(35,509,294)</u>	\$ <u>(33,437,637)</u>

The \$(48,935,760) 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 \$2,071,657 during the fiscal year ended June 30, 2020. The major components of the change are as follows:

- Capital acquisitions
Capital outlay for the year ended June 30, 2019 totaled \$4,001,523. Combined with current year depreciation and the effect of capital asset disposals, the increase in net capital assets totaled \$3,323,346.
- 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 \$745,000 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 \$6,003,001.
- GASB No. 75 Adjustment
Adjustments to the government-wide statements include a decrease in OPEB expenses totaling \$656,569.

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, 2020 and June 30, 2019:

	June 30, 2020	June 30, 2019
General revenue		
Property taxes levied for general operations	\$ 5,126,385	\$ 4,667,807
State of Michigan aid, unrestricted	18,832,953	20,170,767
Other – federal, state and local	<u>2,021,287</u>	<u>1,924,833</u>
Total general revenue	25,980,625	26,763,407
Program revenue		
Charges for services – local	246,398	40,249
Operating grants – federal and state	<u>10,670,762</u>	<u>9,728,977</u>
Total revenues	36,897,785	36,532,633
Expenses		
Instruction	25,207,818	22,018,311
Support services	11,182,082	16,263,636
Community services	74,013	73,640
Food services	2,019,636	1,747,758
Student Activities	217,405	-
Interest on long-term debt	268,488	294,288
Total expenses	<u>38,969,442</u>	<u>40,397,633</u>
Change in net position	(2,071,657)	(3,865,000)
Net Position - July 1	<u>(33,437,637)</u>	<u>(29,862,524)</u>
Restatement for implementation of GASB 84	<u>-</u>	<u>289,887</u>
Net Position – June 30	<u>\$ (35,509,294)</u>	<u>\$ (33,437,637)</u>

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 \$63,687,696 and \$54,356,085 as of September 30, 2019 and 2018, 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 \$14,181,617 and \$14,704,465 as of September 30, 2019 and 2018, 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 \$533,546 from the prior year. The General Fund decreased by \$273,870. Non-Major Funds decreased by \$259,676.

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, 2020, 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 \$34.87 million. This is above the original budget estimate of \$34.00 million and below the final amended budgeted amount of \$35.16 million. The actual expenditures and other financing uses of the general fund totaled approximately \$35.14 million. This is below the original budget estimate of \$35.59 million and below the final amended budgeted amount of approximately \$36.17 million.

The variances between the actual revenues and the original and final revenue budgets are due primarily to adjustments to Medicaid fee for service, increases in At-Risk, Section 41, special education, Medicaid Outreach, and Federal grant increases. Payments for special education transportation were also increased, and additional enhancement millage funds were received. These increased areas were offset with a reduction in estimated early literacy funding and cafeteria indirect. The largest budget revenue reduction was a conservative downward adjustment of approximately \$327,000 in unrestricted State Aid. At the time of adoption of the 19-20 final amendment, a final determination on the amount and timing of a decrease in State Aid was not made. There was uncertainty about whether or not the Consensus Revenue Estimating Conference would meet in time to make a reduction on the August State Aid payment. The per-pupil funding was ultimately decreased by \$533,354 on the August payment.

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, operations and maintenance, and central services. Carry-over of Federal and State programs largely contributed to the underspending in added needs. Change in staff and grant carryover resulted in decreased expense in instructional staff. The shutdown of the district due to COVID resulted in a reduction in operations and maintenance expense. Central services were reduced due to lower anticipated contracted data services costs.

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 11 payments remaining.

The district is currently leasing two 2019 Thomas school buses. There are 30 quarterly payments of \$4,164 due, and 20 remaining. The district is leasing four 2020 Thomas school buses, with quarterly payments of \$4,070, \$5,797, \$4,268 and \$4,268 due. There are nine payments remaining on each of these buses.

The district is in year four 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 \$34.87 million and expenditures totaled approximately \$35.14 million for the year. The fund balance totaled approximately \$11.29 million at June 30, 2020.

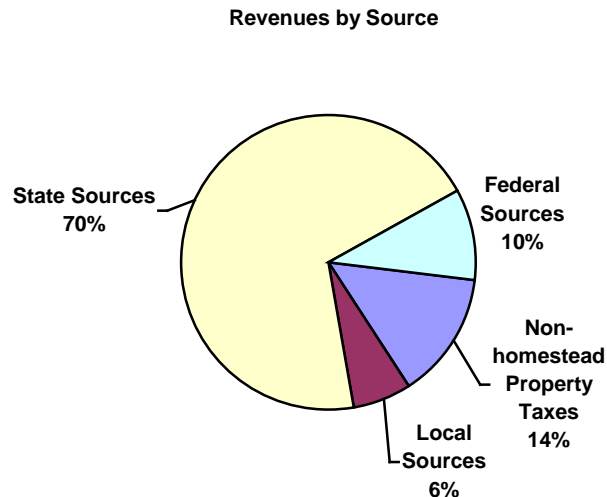
GOVERNMENTAL FUND EXPENDITURES AND OTHER FINANCING USES

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, 2020, expenditures and other financing uses totaled approximately \$37.5 million for all District programs. The ending fund balance for all funds was approximately \$12.05 million of which approximately \$0.48 million was reserved for food service and \$0.28 million was reserved for student activities.

	Expenditures and Other Financing Uses June 30, 2020 (in millions)		% of Total	Expenditures and Other Financing Uses June 30, 2019 (in millions)		% of Total
General Fund	\$35.1		94%	\$36.9		95%
Other Non-Major Funds	2.4		6%	1.9		5%
Total	<u>\$37.5</u>		<u>100%</u>	<u>\$38.8</u>		<u>100%</u>

TOTAL REVENUES & OTHER FINANCING SOURCES

Revenues and other financing sources for all governmental funds totaled approximately \$36.97 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 per-pupil allowance was \$7,948. This consists of approximately \$6,220 from State Aid and \$1,728 from local sources. State Aid membership was computed for the 2019-20 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 2019-20 Non-Homestead property tax levy totaled approximately \$5.2 million.

ENROLLMENT

The District's 2019 Fall Membership enrollment totaled 3,048 students, a decrease of 60 students from the prior year.

CAPITAL ASSET

At the end of fiscal year 2020, the School District had approximately \$36.5 million invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, approximately \$16.9 million has been depreciated. Net book value totals approximately \$19.7 million. Additions totaled \$4,302,152 for the year and were comprised of buildings and additions, and furniture and equipment. Disposals totaled \$300,629 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, 2020 and 2019 are illustrated as follows:

	Capital Assets at Year End (Net of Depreciation)	
	<u>2020</u>	<u>2019</u>
Land and Improvements	\$ 0.170	\$ 0.170
Buildings and Additions	18.895	15.468
Furniture and Equipment	0.337	0.355
Vehicles and Buses	<u>0.271</u>	<u>0.357</u>
Total	\$ <u>19.673</u>	\$ <u>16.350</u>

OUTSTANDING DEBT AT YEAR-END

At June 30, 2020, the School District had \$6.9 million in bonds outstanding for Capital Projects. Debt service is paid from the General Fund.

Vacation and sick time earned but not used and payable at June 30, 2020 amounted to \$509,392.

The Net Pension Liability recognized with GASB Statement No. 68 totaled \$63,687,696 as of September 30, 2019.

The Net OPEB Liability recognized with GASB Statement No. 75 totaled \$14,181,617 as of September 30, 2019.

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
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 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, 2020

	Governmental Activities
Assets	
Cash, cash equivalents, and investments	\$ 11,472,640
Accounts receivable	41,561
Due from other governmental units	5,954,335
Inventory and cafeteria prepaid	22,928
Prepaid costs	327,424
Capital assets	
Land and land improvements	170,358
Buildings and improvements	33,255,816
Equipment and furniture	1,175,581
Vehicles	1,946,937
Less: accumulated depreciation	<u>(16,875,746)</u>
Net Capital Assets	<u>19,672,946</u>
Total Assets	37,491,834
Deferred Outflows of Resources	
Differences between expected and actual experience	285,468
Changes of assumptions	15,542,965
Changes in proportion and differences between employers contributions and proportionate share of contributions	4,953,576
Contributions subsequent to measurement date	<u>5,605,030</u>
Total Deferred Outflows of Resources	26,387,039
Liabilities	
Accounts payable	201,422
Salaries payable	2,550,017
Payroll deductions and withholdings	1,308,846
Accrued interest on long-term debt	39,281
Other accrued liabilities	4,676
Advances from grantors	1,707,832
Current portion of accumulated unpaid benefits	509,392
Long-term Liabilities	
Due within 1 year	775,000
Due in more than 1 year:	
Net pension liability	63,687,696
Net OPEB liability	14,181,617
Bonds payable	<u>6,170,000</u>
Total Liabilities	91,135,779
Deferred Inflows of Resources	
Deferred premium on bond refunding	412,176
Difference between expected and actual experience	5,469,208
Net difference between projected and actual earnings on pension plan investments	2,287,707
Changes in proportion and differences between District contributions and proportionate share	<u>83,297</u>
Total Deferred Inflows of Resources	8,252,388
Net Position (Deficit)	
Invested in capital assets, net of related debt	12,688,665
Restricted for:	
Food service	460,262
Student Activities	277,539
Unrestricted (Deficit)	<u>(48,935,760)</u>
Total Net Position (Deficit)	<u>\$ (35,509,294)</u>

See accompanying notes to basic financial statements.

MELVINDALE-ALLEN PARK PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		Net (Expense)
			Operating	Revenue and
	Expenses	Charges for	Grants and	Changes in
		Services	Contributions	Net Position
Functions/Programs				
Governmental Activities				
Instruction	\$ 25,207,818	\$ -	\$ 8,485,176	\$ (16,722,642)
Support services	11,182,082	-	306,769	(10,875,313)
Community services	74,013	20,952	-	(53,061)
Food services	2,019,636	20,389	1,878,817	(120,430)
Student activities	217,405	205,057	-	(12,348)
Interest on long-term debt	268,488	-	-	(268,488)
Total governmental activities	\$ <u>38,969,442</u>	\$ <u>246,398</u>	\$ <u>10,670,762</u>	<u>(28,052,282)</u>
General Purpose Revenues				
Property tax - General Fund				5,126,385
State school aid - unrestricted				18,832,953
Unrestricted contributions				114,355
Investment earnings				60,919
Miscellaneous				<u>1,846,013</u>
				<u>25,980,625</u>
Change in Net Position				(2,071,657)
Net Position (Deficit) - July 1 (restated - see Note 15)				<u>(33,437,637)</u>
Net Position (Deficit) - June 30				\$ <u><u>(35,509,294)</u></u>

See accompanying notes to basic financial statements.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and investments	\$ 10,109,315	\$ 1,363,325	\$ 11,472,640
Accounts receivable	28,446	13,115	41,561
Due from other governmental units	5,954,335	-	5,954,335
Interfund receivable	631,001	100,055	731,056
Inventory	-	22,928	22,928
Prepaid costs	327,424	-	327,424
	<u>17,050,521</u>	<u>1,499,423</u>	<u>18,549,944</u>
Total Assets	\$	\$	\$
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 198,460	\$ 2,962	\$ 201,422
Salaries payable	2,550,017	-	2,550,017
Payroll deductions and withholdings	1,308,846	-	1,308,846
Other accrued liabilities	-	4,676	4,676
Interfund payable	-	731,056	731,056
Advances from grantors	1,707,832	-	1,707,832
	<u>5,765,155</u>	<u>738,694</u>	<u>6,503,849</u>
Total Liabilities			
<u>Fund Balance</u>			
Non spendable	327,424	22,928	350,352
Restricted:			
Food service	-	460,262	460,262
Student activities	-	277,539	277,539
Assigned:			
Board policy	3,511,621	-	3,511,621
Budgeted future use	2,030,346	-	2,030,346
Unassigned	5,415,975	-	5,415,975
	<u>11,285,366</u>	<u>760,729</u>	<u>12,046,095</u>
Total Fund Balance			
Total Liabilities and Fund Balance	\$ 17,050,521	\$ 1,499,423	\$ 18,549,944

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, 2020

Total Governmental Fund Balances		\$ 12,046,095
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	\$ 36,548,692	
Accumulated depreciation	<u>(16,875,746)</u>	19,672,946
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	\$ 6,945,000	
Net OPEB liability	14,181,617	
Net pension liability	63,687,696	
Accumulated unpaid benefits payable	<u>509,392</u>	
Total long-term liabilities		(85,323,705)
Deferred inflows of resources resulting from debt refunding.		(412,176)
Deferred inflows and outflows related to the implementation of GASB statement No. 68 are not included as assets and liabilities in the governmental funds.		
Deferred inflows	\$ (2,372,274)	
Deferred outflows	<u>20,790,933</u>	18,418,659
Deferred inflows and outflows related to the implementation of GASB statement No. 75 are not included as assets and liabilities in the governmental funds.		
Deferred inflows	\$ (5,467,938)	
Deferred outflows	<u>5,596,106</u>	128,168
In the statement of net position, interest has been accrued on bonds payable as of June 30, 2020		<u>(39,281)</u>
Total Net Position (Deficit) - Governmental Activities		\$ <u><u>(35,509,294)</u></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, 2020

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 5,126,385	\$ -	\$ 5,126,385
Other local sources	419,433	225,446	644,879
State sources	25,724,321	83,047	25,807,368
Federal sources	<u>1,900,577</u>	<u>1,795,770</u>	<u>3,696,347</u>
Total revenues	33,170,716	2,104,263	35,274,979
Current Expenditures			
Instruction			
Basic programs	15,752,942	-	15,752,942
Added needs	<u>5,102,944</u>	<u>-</u>	<u>5,102,944</u>
Total instruction	20,855,886	-	20,855,886
Support services			
Pupil services	2,018,337	-	2,018,337
Instructional staff services	1,809,930	-	1,809,930
General administration	485,578	-	485,578
School administration	2,164,116	-	2,164,116
Business services	683,239	-	683,239
Operation and maintenance	2,725,356	-	2,725,356
Pupil transportation	1,721,511	-	1,721,511
Central services	814,682	-	814,682
Athletics activities	376,800	-	376,800
Community services	74,013	-	74,013
Other supporting services	<u>-</u>	<u>2,237,041</u>	<u>2,237,041</u>
Total support services	12,873,562	2,237,041	15,110,603
Payments to other governmental agencies, facilities acquisitions, and prior period adjustments			
Sub-grantee	199,759	-	199,759
Site Improvement services	<u>468,455</u>	<u>-</u>	<u>468,455</u>
Payments to other governmental agencies, facilities acquisitions, and prior period adjustments	<u>668,214</u>	<u>-</u>	<u>668,214</u>
Total expenditures	<u>34,397,662</u>	<u>2,237,041</u>	<u>36,634,703</u>
Excess (deficiency) of revenues over (under) expenditures	(1,226,946)	(132,778)	(1,359,724)
Other financing sources (uses)			
Payments from other governments	1,571,178	-	1,571,178
Principal payments	(745,000)	-	(745,000)
Operating transfers in	126,900	2	126,902
Operating transfers out	<u>(2)</u>	<u>(126,900)</u>	<u>(126,902)</u>
Total other financing sources (uses)	<u>953,076</u>	<u>(126,898)</u>	<u>826,178</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(273,870)	(259,676)	(533,546)
Fund balance - July 1 (restated - see Note 15)	<u>11,559,236</u>	<u>1,020,405</u>	<u>12,579,641</u>
Fund balance - June 30	<u>\$ 11,285,366</u>	<u>\$ 760,729</u>	<u>\$ 12,046,095</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, 2020

Total net change in fund balances - governmental funds	\$	(533,546)
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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 and asset disposals in the current period.

Capital Outlay	\$	4,001,523	
Depreciation Expense		<u>(678,177)</u>	3,323,346

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.

745,000

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, 2020 was

(316,621)

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:

(6,003,000)

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:

656,569

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, 2020 was

4,967

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.

51,628

Change in net position of governmental activities	\$	<u>(2,071,657)</u>
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See accompanying notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 Government Accounting Standards Board 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, 2020 amounted to \$126,900. 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, 2020

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 two generic fund types in one broad fund category 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 two special revenue funds: the Food Service Fund and the Student Activities Fund.

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 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.

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.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificates of deposit with original maturities less than three months. 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.

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.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2020 and 2019 amounted to \$509,392 and \$192,771 respectively.

Economic Dependency - The District receives approximately 69% 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, 2021, June 30, 2022, 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 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:

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 - Budget and Budgetary Accounting (continued)

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.

Excess of expenditures over appropriations in budgeted funds

During the year, the District incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Transportation	\$ 1,711,515	\$ 1,721,511	\$ 9,996
Athletic Activities	\$ 368,621	\$ 376,800	\$ 8,179

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 3 - Deposits and Investments

At June 30, 2020, the District had the following investments:

<i>General Fund</i>	
Comerica Bank J-Fund High Yield Savings	\$ 757,747
MILAF	2,125,027
Flagstar Bank CDARS	1,031,789
Total	<u>\$ 3,914,563</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, 2020, 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, 2020, \$1,531,789 of the District's deposit balances were insured and \$10,496,615 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, 2020

Note 4 - Changes in Capital Assets

Summary of capital asset transactions:

	Balance June 30, 2019	Additions	Disposals	Balance June 30, 2020
Assets not depreciated:				
Land & improvements	\$ 170,358	\$ -	\$ -	\$ 170,358
Other capital assets:				
Buildings & additions	29,207,042	4,229,762	(180,988)	33,255,816
Furniture & equipment	1,222,832	72,390	(119,641)	1,175,581
Vehicles & buses	1,946,937	-	-	1,946,937
Subtotal	32,547,169	4,302,152	(300,629)	36,548,692
Buildings & additions	(13,739,505)	(703,142)	81,445	(14,361,202)
Furniture & equipment	(868,132)	(63,572)	93,173	(838,531)
Vehicles & buses	(1,589,934)	(86,079)	-	(1,676,013)
Subtotal	(16,197,571)	(852,793)	174,618	(16,875,746)
Net capital assets	<u>\$ 16,349,598</u>	<u>\$ 3,449,359</u>	<u>\$ (126,011)</u>	<u>\$ 19,672,946</u>

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

Instruction	\$ 568,697
Support Services	109,480
Total Depreciation Expense	<u>\$ 678,177</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, 2020.

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, 2020

Note 6 - Long-Term Debt (continued)

refunding resulted in an economic gain of approximately \$969,958. The outstanding balance of the bonds was \$6,945,000 at June 30, 2020.

The following is a summary of long-term debt transactions for the year ended June 30, 2020:

	Compensated Absences	Bonded Debt	Total
Balance June 30, 2019	\$ 192,771	\$ 7,690,000	\$ 7,882,771
Additions	509,392	-	509,392
Retirements & payments	<u>(192,771)</u>	<u>(745,000)</u>	<u>(937,771)</u>
Balance June 30, 2020	509,392	6,945,000	7,454,392
Less: Current portion	<u>(509,392)</u>	<u>(775,000)</u>	<u>(1,284,392)</u>
Total due after one year	\$ <u>-</u>	\$ <u>6,170,000</u>	\$ <u>6,170,000</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
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	875,000	134,276	1,009,276
2026-2028	<u>2,810,000</u>	<u>227,800</u>	<u>3,037,800</u>
Total	\$ <u>6,945,000</u>	\$ <u>1,144,616</u>	\$ <u>8,089,616</u>

Interest expense in the General Fund totaled \$268,488 for the year ended June 30, 2020.

Note 7 - Interfund Receivables and Payables

Interfund receivable and payable balances as of June 30, 2020 are as follows:

	Due to Other Funds	Due from Other Funds
General Fund	\$ -	\$ 631,001
Student Activity Fund	-	100,055
Food Service Fund	<u>731,056</u>	<u>-</u>
Total	\$ <u>731,056</u>	\$ <u>731,056</u>

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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	\$ 22,928
Prepaid costs	327,424
Total Non-spendable	<u>\$ 350,352</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	\$ 460,262
Student activities	277,539
Total Restricted	<u>\$ 737,801</u>

Committed fund balance represents constrained amounts imposed by school board resolution. The district had no amounts committed as of June 30, 2020.

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. The Board of Education adopted the 2020-2021 General Fund budget whereby expenditures exceeded revenues by \$2,030,346. The Board of Education also adopted a policy to assign 10% of 2020-2021 General Fund budgeted expenditures. This amount is shown as Assigned fund balance as of June 30, 2020.

Assigned:

Board Policy	\$ 3,511,621
Budgeted Future Use	2,030,346
Total Assigned	<u>\$ 5,541,967</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.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 October 31, 2020, which is the date the financial statements were available to be issued.

In March of 2020, many Michigan businesses and all school districts were closed by order of the Governor in response to the global coronavirus pandemic. The mandated closures resulted in a state revenue shortfall which necessitated a reduction in state aid of \$175 per pupil that was deducted from the August 2020 state aid payment. New revenue sources were made available to schools subsequent to fiscal year end, including Public Act 123 of 2020 which provides approximately \$12.32 per pupil, and Public Act 146 of 2020 which provides \$350 per pupil. The new revenue streams approved after June 30, 2020 are restrictive in nature and will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board.

In addition to PA 123 of 2020 and PA 146 of 2020, the "Return to Learn" legislation was passed subsequent to fiscal year end. The Return to Learn legislation modified the per pupil foundation allowance funding calculation which allows some flexibility in the days and attendance requirements for districts. For example, local districts may provide instruction in a virtual, face to face, or hybrid environment for the 2020-2021 school year and still meet funding requirements.

The full impact of the global pandemic is unknown. It is currently not possible to estimate the duration or severity of the potential impact of the pandemic on the district or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements have been made as a result of these events.

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.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 12 – Defined Benefit Pension Plan (continued)

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.

Contributions

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

The schedule below summarizes pension contribution rates in effect for fiscal year 2019.

Pension Contribution Rates

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

Required contributions to the pension plan from the District were \$5,108,877 for the year ended September 30, 2019.

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

At June 30, 2020, the District reported a liability of \$63,687,696 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2018. 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

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 12 – Defined Benefit Pension Plan (continued)

contributions required from all applicable districts during the measurement period. At September 30, 2019, the District's proportion was .19231 percent, which was an increase of .0115 percent from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the District recognized total pension expense of \$11,338,429. At June 30, 2020, 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	\$ 285,468	\$ 265,572
Changes of assumptions	12,470,096	-
Net difference between projected and actual earnings on pension plan investments	-	2,041,082
Changes in proportion and differences between District contributions and proportionate share of contributions	3,456,394	65,620
District contributions subsequent to the measurement date*	4,578,975	-
Total	\$ <u>20,790,933</u>	\$ <u>2,372,274</u>

*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, 2021.

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

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

Year Ending June 30	Amount:
2020	\$5,427,881
2021	\$4,313,930
2022	\$2,921,799
2023	\$1,176,074

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, 2018

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 12 – Defined Benefit Pension Plan (continued)

Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
- MIP and Basic Plans:	6.80%
- Pension Plus Plan:	6.80%
- 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

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, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report 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, 2019, 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 %	5.5 %

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 12 – Defined Benefit Pension Plan (continued)

Private Equity Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	<u>2.0</u>	0.8
TOTAL	<u>100.0</u> %	

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

Rate of Return

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

Discount Rate

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

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

1% Decrease	Current Single Discount Rate	1% Increase
5.80% / 5.80% / 5.0%*	Assumption	7.80% / 7.80% / 7.0%
\$82,798,079	6.80% / 6.80% / 6.0%	\$47,844,530
	\$63,687,696	

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

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.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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).

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.

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.

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

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

OPEB Contribution Rates

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

Required contributions to the OPEB plan from the District were \$1,356,582 for the year ended September 30, 2019.

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

At June 30, 2020, The District reported a liability of \$14,181,617 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2018. 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, 2019, the District's proportion was .19757 percent, which was an increase of .01259 percent from its proportion measured as of October 1, 2018.

For the year ended June 30, 2020, the District recognized total OPEB expense of \$716,354. 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	\$ -	\$ 5,203,636
Changes of assumptions	3,072,869	-
Net difference between projected and actual earnings on OPEB plan investments	=	246,625

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Changes in proportion and differences between District contributions and proportionate share of contributions	1,497,182	17,677
District contributions subsequent to the measurement date*	<u>1,026,055</u>	<u>-</u>
Total	\$ <u>5,596,106</u>	\$ <u>5,467,938</u>

*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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

Year Ending June 30,	Amount:
2020	\$(306,601)
2021	\$(306,601)
2022	\$(187,080)
2023	\$(60,446)
2024	\$(37,159)

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, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	6.95%
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

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Mortality:	<p>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</p> <p>Active Members: RP-2014 Male and Female Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.</p>
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Notes:

- 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, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.7101
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on 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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
% Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	<u>2.0</u>	0.8
TOTAL	<u>100.0</u>	%

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

1% Decrease	Current Single Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$17,395,884	\$14,181,617	\$11,482,525

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:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
11,368,095	14,181,617	17,395,502

OPEB Plan Fiduciary Net Position

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

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 six school buses under 4 year operating leases with expiration in 2023. Quarterly payments on these leases range from \$4,070 to \$5,797 per bus. Total future minimum lease payments are as follows:

Year Ended June 30,	Future Payments
2021	\$ 73,612
2022	73,612
2023	18,403
	<u>\$ 165,627</u>

Note 15 – Restatement of Fund Balance and Net Position

Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued in January 2017 and is effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria general is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The District previously reported a fiduciary fund for assets held on behalf of student activity groups. These activities do not meet the criteria of a fiduciary fund as established by GASB No. 84. Therefore, governmental fund balance and government wide net position as of July 1, 2019 were restated as follows to report the student activities fund as a special revenue fund as of July 1, 2019:

	Government Wide Net Position / (Deficit)	Total Governmental Fund Balance	Non-major Special Revenue Fund - Student Activities
Previously Reported at July 1, 2019	\$ (33,727,524)	\$ 12,289,754	\$ -
Reclassification of Student Activities as Special Revenue Funds	289,887	289,887	289,887
Restated as of July 1, 2019	<u>\$ (33,437,637)</u>	<u>\$ 12,579,641</u>	<u>\$ 289,887</u>

Note 16 – Upcoming Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by GASB in June 2017 and will be effective for the District's 2022 year end. The objective of this Statement is to increase the usefulness of the governments' financial statements by requiring recognition of certain lease assets and liabilities for the leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the governments' leasing activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTAL INFORMATION

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local sources	\$ 4,752,732	\$ 5,609,186	\$ 5,545,818	\$ (63,368)
State sources	26,193,295	26,051,158	25,724,321	(326,837)
Federal sources	1,837,837	2,044,913	1,900,577	(144,336)
Total revenues	<u>32,783,864</u>	<u>33,705,257</u>	<u>33,170,716</u>	<u>(534,541)</u>
Expenditures				
Education				
Instruction				
Basic programs	15,978,412	15,939,044	15,752,942	186,102
Added needs	4,874,127	5,368,372	5,102,944	265,428
Supporting services				
Pupil services	2,034,585	2,113,606	2,018,337	95,269
Instructional staff services	1,730,413	1,936,556	1,809,930	126,626
General administration	496,129	508,947	485,578	23,369
School administration	2,167,689	2,180,941	2,164,116	16,825
Business services	714,035	711,503	683,239	28,264
Operation and maintenance	3,078,518	2,851,302	2,725,356	125,946
Pupil transportation	1,700,928	1,711,515	1,721,511	(9,996)
Central services	897,633	912,957	814,682	98,275
Athletic activities	453,199	368,621	376,800	(8,179)
Community services	100,769	84,755	74,013	10,742
Payments to other governmental agencies, facilities acquisitions, and prior period adjustments	<u>599,800</u>	<u>726,109</u>	<u>668,214</u>	<u>57,895</u>
Total expenditures	<u>34,826,237</u>	<u>35,414,228</u>	<u>34,397,662</u>	<u>1,016,566</u>
Excess (deficiency) of revenues over (under) expenditures	(2,042,373)	(1,708,971)	(1,226,946)	482,025
Other financing sources (uses)				
Payments from other governments	1,121,000	1,354,232	1,571,178	216,946
Principal payments	(745,000)	(745,000)	(745,000)	-
Operating transfers in	100,000	100,000	126,900	26,900
Operating transfers out	<u>(14,357)</u>	<u>(6,721)</u>	<u>(2)</u>	<u>6,719</u>
Excess (deficiency) of other financing sources over (under) other financing uses	<u>461,643</u>	<u>702,511</u>	<u>953,076</u>	<u>250,565</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,580,730)	(1,006,460)	(273,870)	732,590
Fund balance - July 1	<u>11,559,236</u>	<u>11,559,236</u>	<u>11,559,236</u>	<u>-</u>
Fund balance - June 30	<u>\$ 9,978,506</u>	<u>\$ 10,552,776</u>	<u>\$ 11,285,366</u>	<u>\$ 732,590</u>

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLAN INFORMATION
JUNE 30, 2020

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability (%)	0.19231%	0.18081%	0.17558%	0.17195%	0.16667%	0.16233%
District's proportionate share of net pension liability	\$63,687,696	\$ 54,356,085	\$ 45,500,240	\$ 42,901,351	\$ 40,710,174	\$ 35,755,479
District's covered-employee payroll	\$17,295,723	\$ 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	368%	345%	307%	291%	292%	258%
Plan fiduciary net position as a percentage of total pension liability	60.31%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 5,108,877	\$ 4,923,616	\$ 4,118,283	\$ 3,861,337	\$ 3,215,358	\$ 4,028,663
Contributions in relation to statutorily required contributions	<u>\$ 5,108,877</u>	<u>\$ 4,923,616</u>	<u>\$ 4,118,283</u>	<u>\$ 3,861,337</u>	<u>\$ 3,215,358</u>	<u>\$ 4,028,663</u>
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$17,352,065	\$ 16,986,847	\$ 15,556,034	\$ 14,739,663	\$ 13,995,243	\$ 14,022,812
Contributions as a percentage of covered-employee payroll	29.44%	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, 2020

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (%)	0.19757%	0.18499%	0.17553%
District's proportionate share of net OPEB liability	\$ 14,181,617	\$ 14,704,465	\$ 15,544,391
District's covered-employee payroll	\$ 17,295,723	\$ 15,774,635	\$ 14,807,340
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82%	93%	105%
Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,356,582	\$ 1,200,739	\$ 1,366,608
Contributions in relation to statutorily required contributions	<u>\$ 1,356,582</u>	<u>\$ 1,200,739</u>	<u>\$ 1,366,608</u>
Contribution deficiency/(excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 17,352,065	\$ 16,986,848	\$ 15,556,034
Contributions as a percentage of covered-employee payroll	7.82%	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, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2020	June 30, 2019
Local sources		
Property tax levy	\$ 5,126,385	\$ 4,667,807
Earnings on investments	60,919	86,009
Contributions and grants	114,355	38,276
Interest on delinquent taxes	958	2,069
Medicaid	146,993	148,837
Athletic gate receipts	20,952	9,792
Other	<u>75,256</u>	<u>10,853</u>
Total revenues from local sources	5,545,818	4,963,643
State sources		
Grants - unrestricted		
State school aid	18,832,953	20,170,767
Grants - restricted		
Special education	1,438,489	1,156,249
At risk	2,042,973	1,851,982
MPERS credit	2,829,712	2,477,520
Other	<u>580,194</u>	<u>414,040</u>
Total revenues from state sources	25,724,321	26,070,558
Federal sources		
Grants - restricted		
Title I	778,611	846,864
Title II A	129,179	169,164
Title III	159,267	199,957
Special education - I.D.E.A.	655,930	568,433
Other	<u>177,590</u>	<u>134,972</u>
Total revenues from federal sources	1,900,577	1,919,390
Other financing sources		
Payments from other governments	1,571,178	1,587,302
Operating transfers/Indirect cost allocation	<u>126,900</u>	<u>122,000</u>
Total other financing sources	<u>1,698,078</u>	<u>1,709,302</u>
Total revenues and other financing sources	\$ <u><u>34,868,794</u></u>	\$ <u><u>34,662,893</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, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

Instruction	Salaries & Benefits	Purchased Services	Supplies & Materials	Other Costs	Totals	
					June 30, 2020	June 30, 2019
Basic programs						
Elementary	\$ 4,215,773	\$ 233,106	\$ 134,347	\$ 1,136	\$ 4,584,362	\$ 4,432,079
Middle school	2,248,016	150,820	68,484	684	2,468,004	2,468,852
High school	2,324,760	326,893	105,632	-	2,757,285	2,652,712
Other basic programs	47,815	4,586	49	-	52,450	142,767
Employee benefits	5,890,841	-	-	-	5,890,841	5,674,469
Added needs						
Special education	947,898	14,976	10,331	-	973,205	863,570
Compensatory education	1,182,024	461,262	94,782	-	1,738,068	1,528,379
Vocational education	297,554	26,776	82,790	311,663	718,783	797,950
Employee benefits	1,672,888	-	-	-	1,672,888	1,501,063
Total instruction	18,827,569	1,218,419	496,415	313,483	20,855,886	20,061,841
Supporting services						
Pupil services						
Guidance services	343,921	15,000	3,254	-	362,175	302,896
Health services	-	37,992	-	-	37,992	62,303
Psychological services	92,211	-	2,757	-	94,968	95,955
Speech pathology audiology	153,314	58,099	615	-	212,028	154,990
Social work services	320,766	48,882	669	-	370,317	375,858
Other pupil services	153,405	114,456	2,711	99	270,671	243,363
Employee benefits	670,186	-	-	-	670,186	628,412
Instructional staff						
Improvement of instruction	657,374	183,401	95,510	-	936,285	881,598
Educational media services	124,330	-	18,910	-	143,240	139,139
Instruction related technology	-	-	-	-	-	5,186
Supervision direction - inst. staff	68,528	29	1,141	-	69,698	71,157
Student assessment	-	-	47,492	-	47,492	31,753
Other instructional staff	-	213	-	-	213	1,007
Employee benefits	613,002	-	-	-	613,002	566,984
General administration						
Board of education	3,930	66,772	289	14,739	85,730	101,806
Executive administration	211,118	36,900	15,939	-	263,957	232,227
Employee benefits	135,891	-	-	-	135,891	132,876
School administration						
Office of the principal	1,244,400	8,263	17,697	14,239	1,284,599	1,250,695
Employee benefits	879,517	-	-	-	879,517	831,610
Business services						
Fiscal services	213,584	41,673	4,583	310	260,150	271,431
Other business services	-	-	-	266,988	266,988	300,788
Employee benefits	156,101	-	-	-	156,101	185,637

(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, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	Salaries & Benefits	Purchased Services	Supplies & Materials	Other Costs	Totals	
					June 30, 2020	June 30, 2019
Operations & maintenance						
Operation & maintenance of plant \$	941,807	\$ 270,313	\$ 746,980	\$ 320	\$ 1,959,420	\$ 2,207,448
Security services	4,000	1,734	54	-	5,788	-
Employee benefits	760,148	-	-	-	760,148	807,822
Pupil transportation						
Pupil transportation services	754,690	112,745	351,814	250	1,219,499	1,326,808
Employee benefits	502,012	-	-	-	502,012	448,568
Central services						
Planning, research, development, and evaluation	-	4,950	-	-	4,950	34,221
Communication services	-	1,207	-	-	1,207	3,025
Staff/personnel services	38,979	10,465	-	-	49,444	49,551
Support services - technology	172,554	162,530	214,002	-	549,086	543,599
Other central services	37,332	26	-	350	37,708	8,222
Employee benefits	172,287	-	-	-	172,287	141,863
Total support services	9,425,387	1,175,650	1,524,417	297,295	12,422,749	12,438,798
Athletic activities						
Athletic activities direction	73,517	190,343	62,939	5,317	332,116	358,779
Employee benefits	44,684	-	-	-	44,684	49,039
Total athletic activities	118,201	190,343	62,939	5,317	376,800	407,818
Community services						
Community activities	900	23,083	19,952	-	43,935	50,506
Non-public school pupils	4,452	19,453	-	-	23,905	17,643
Employee benefits	6,173	-	-	-	6,173	5,491
Total community services	11,525	42,536	19,952	-	74,013	73,640
Payments to other governmental agencies, facilities acquisitions, and prior period adjustments						
Sub-grantee	-	-	-	199,759	199,759	-
Site Improvement services	-	99,314	-	369,141	468,455	3,246,202
Total payments to other gov	-	99,314	-	568,900	668,214	3,246,202
Total expenditures	28,382,682	2,726,262	2,103,723	1,184,995	34,397,662	36,228,299
Other financing uses						
Bonded debt payments	-	-	-	745,000	745,000	720,000
Operating transfers	-	-	-	2	2	1
Total other financing uses	-	-	-	745,002	745,002	720,001
Total expenditures and other financing uses	\$ 28,382,682	\$ 2,726,262	\$ 2,103,723	\$ 1,929,997	\$ 35,142,664	\$ 36,948,300

(concluded)

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds		Total Non-Major Governmental Funds
	Food Service Fund	Student Activities Fund	
Assets			
Cash and investments	\$ 1,183,244	\$ 180,081	\$ 1,363,325
Accounts receivable	13,115	-	13,115
Interfund receivable	-	100,055	100,055
Inventory	22,928	-	22,928
Total Assets	<u>\$ 1,219,287</u>	<u>\$ 280,136</u>	<u>\$ 1,499,423</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 365	\$ 2,597	\$ 2,962
Other accrued liabilities	4,676	-	4,676
Interfund payable	731,056	-	731,056
Total Liabilities	736,097	2,597	738,694
Fund Balance			
Non spendable	22,928	-	22,928
Restricted:	460,262	277,539	737,801
Total Fund Balance	483,190	277,539	760,729
Total Liabilities and Fund Balance	<u>\$ 1,219,287</u>	<u>\$ 280,136</u>	<u>\$ 1,499,423</u>

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds		Total Non-Major Governmental Funds
	Food Service Fund	Student Activities Fund	
Revenues			
Revenue from local sources			
Food sales	\$ 20,389	\$ -	\$ 20,389
Other local sources	-	205,057	205,057
State sources	83,047	-	83,047
Federal sources	1,795,770	-	1,795,770
Total revenues	<u>1,899,206</u>	<u>205,057</u>	<u>2,104,263</u>
Expenditures			
Salaries	508,548	-	508,548
Employee benefits	297,137	-	297,137
Purchased services	20,450	-	20,450
Supplies and materials	1,124,558	-	1,124,558
Other	<u>68,943</u>	<u>217,405</u>	<u>286,348</u>
Total expenditures	<u>2,019,636</u>	<u>217,405</u>	<u>2,237,041</u>
Excess (deficiency) of revenues over (under) expenditures	(120,430)	(12,348)	(132,778)
Other financing sources (uses)			
Operating transfers in	2	-	2
Operating transfers out	<u>(126,900)</u>	<u>-</u>	<u>(126,900)</u>
Total other financing sources (uses)	<u>(126,898)</u>	<u>-</u>	<u>(126,898)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(247,328)	(12,348)	(259,676)
Fund balance - July 1 (restated - see Note 15)	<u>730,518</u>	<u>289,887</u>	<u>1,020,405</u>
Fund balance - June 30	<u>\$ 483,190</u>	<u>\$ 277,539</u>	<u>\$ 760,729</u>

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
2015 BOND ISSUE
SCHEDULE OF INTEREST AND PRINCIPLE PAYMENTS
JUNE 30, 2020

Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Amount of Annual Maturity	Fiscal Year Interest Requirements	Total
General Fund			11/1/20	\$ -	\$ 117,844	\$ 117,844
2015 Refunding Bonds		4.000%	5/1/21	775,000	117,844	892,844
1/13/15	\$ 9,290,000		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>\$ 6,945,000</u>	<u>\$ 1,144,616</u>	<u>\$ 8,089,616</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

October 31, 2020

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, 2020, 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 October 31, 2020.

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.

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 entity'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 AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 31, 2020

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, 2020. 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.

Auditor's 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, 2020.

Report on Internal Control over Compliance

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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 the types of requirements that could have a direct and material effect on each 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 over compliance 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 a 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 a 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
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Advanced) Revenue at June 30, 2020
<u>US Dept. of Agriculture</u> <u>Passed through Mich. Dept. of Ed</u>								
National School Breakfast Program	10.553	201970	\$ 375,657	\$ -	\$ -	\$ 375,657	\$ 375,657	\$ -
National School Lunch Program	10.555	201960	893,599	-	-	893,599	893,599	-
Unanticipated School Closure Covid-19	10.555	200902	350,931			350,931	350,931	-
Fresh Fruit and Vegetables Program	10.582	200950	60,299			60,299	60,299	-
Food Distribution Entitlement Commodities	10.550		97,138	-	-	97,138	97,138	-
National Summer School Lunch Program	10.559		18,146	-	-	18,146	18,146	-
Total Department of Agriculture			1,795,770	-	-	1,795,770	1,795,770	-
<u>US Department of Education</u> <u>Passed through Mich Dept of Ed</u>								
Title I Part A - Improving Basic Programs	84.010	191530/1819 201530/1920	879,890 808,528 1,688,418	88,465 - 88,465	797,726 - 797,726	110,696 554,285 664,981	22,231 756,380 778,611	- 202,095 202,095
Title III - Limited English Proficient Students	84.365	190570/1819 190580/1819 200570/1920 200580/1920	62,020 147,151 45,558 170,157 424,886	5,078 25,139 - - 30,217	43,293 138,001 - - 181,294	5,221 25,139 8,000 96,000 134,360	143 - 35,431 123,693 159,267	- - 27,431 27,693 55,124
Title II Part A - Teacher/Principal Training	84.367	190520/1819 200520/1920	187,273 162,478 349,751	10,939 - 10,939	169,164 - 169,164	10,939 112,000 122,939	- 129,179 129,179	- 17,179 17,179
Title IV Part A - Student Support	84.424	190750/1819 200750/1920	57,074 58,403 115,477	31,392 - 31,392	53,324 - 53,324	31,392 25,000 56,392	- 53,151 53,151	- 28,151 28,151
Total Passed through Mich Dept of Ed			2,578,532	161,013	1,148,184	978,672	1,120,208	302,549
<u>Passed through Wayne County RESA</u>								
Special Education - IDEA	84.027A	190450/1819 200450/1920	575,170 - 575,170	371,620 - 371,620	568,433 - 568,433	378,357 469,314 847,671	6,737 649,193 655,930	- 179,879 179,879
Carl D Perkins	84.048	77695 77695	- - -	1,945 - 1,945	77,236 - 77,236	1,945 57,971 59,916	- 87,629 87,629	- 29,658 29,658
Title XIX - Medical Assistance Program Outreach	93.778		-	-	-	36,810	36,810	-
Total Passed through Wayne County RESA			575,170	373,565	645,669	944,397	780,369	209,537
Total US Department of Education			3,153,702	534,578	1,793,853	1,923,069	1,900,577	512,086
Total Federal Awards			\$ 4,949,472	\$ 534,578	\$ 1,793,853	\$ 3,718,839	\$ 3,696,347	\$ 512,086

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS
YEAR ENDED JUNE 30, 2020

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

\$ 3,696,347

FEDERAL REVENUE RECOGNIZED PER THE BASIC
FINANCIAL STATEMENTS

General Fund \$ 1,900,577

School Service Fund 1,795,770

Total Federal Revenue Recognized \$ 3,696,347

- 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 50 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, 2020

Current Payments Per:	
Grant Auditor Report (Form R7120)	\$ 2,677,304
 <u>Add:</u> Grants Passed Through the Wayne RESA	 944,397
Entitlement and Bonus Commodities (CFDA 10.550)	<u>97,138</u>
 TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	 <u><u>\$ 3,718,839</u></u>

MELVINDALE-NORTHERN ALLEN PARK PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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>
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CFDA 84.010	Title I Part A - Improving Basic Programs
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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.

October 31, 2020,

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

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Melvindale-Northern Allen Park Public Schools are described in Note 1 to the financial statements. 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 most significant estimate is the useful lives over which capital assets are depreciated

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.

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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 we had no such disagreements arise during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

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

Restriction on Use

This information is intended solely for the use of the 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