

Western School
District



Year Ended
June 30, 2020

Financial
Statements and
Single Audit Act
Compliance

Rehmann

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WESTERN SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

October 9, 2020

Board of Education
Western School District
Parma, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Western School District* (the "District"), 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.

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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

Opinions

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefit plans, as listed 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 District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements 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 9, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 District's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

WESTERN SCHOOL DISTRICT

Management's Discussion and Analysis

As management of Western School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

Financial Highlights

• Total net position	\$(43,601,154)
• Change in total net position	(2,527,814)
• Fund balances, governmental funds	5,292,637
• Change in fund balances, governmental funds	437,521
• Unassigned fund balance, general fund	3,835,433
• Change in fund balance, general fund	165,636
• General obligation bonds outstanding	33,625,000
• Change in general obligation bonds	1,500,000
• Capital assets, net	39,895,220

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing* of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services (including athletics and food service) and community service.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

WESTERN SCHOOL DISTRICT

Management's Discussion and Analysis

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary Funds. The District maintains one type of proprietary fund. The District uses an internal service fund to account for its health care consortium, which has been created to pool resources with other districts within Jackson County. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the district-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fund financial statement section of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in fiscal 2018. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPSERS net pension liability and net other postemployment benefit liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of \$43,601,154. Of this amount, \$(52,744,377) is unrestricted net position (deficit) and \$374,334 represents resources that are subject to external restrictions on how they may be used. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

Net position invested in capital assets, net of related debt used to acquire those assets that are still outstanding, resulted in a net position of \$8,768,889 at June 30, 2020. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities unless sold.

WESTERN SCHOOL DISTRICT

Management's Discussion and Analysis

	Net Position	
	2020	2019
Assets		
Current and other assets	\$ 8,587,816	\$ 8,062,631
Capital assets, net	<u>39,895,220</u>	<u>40,734,757</u>
Total assets	<u>48,483,036</u>	<u>48,797,388</u>
Deferred outflows of resources	<u>20,820,654</u>	<u>19,187,244</u>
Liabilities		
Long-term debt	35,641,316	35,508,512
Current and other liabilities	<u>70,558,906</u>	<u>66,711,778</u>
Total liabilities	<u>106,200,222</u>	<u>102,220,290</u>
Deferred inflows of resources	<u>6,704,622</u>	<u>6,837,682</u>
Net position:		
Net investment in capital assets	8,768,889	7,872,221
Restricted	374,334	300,550
Unrestricted (deficit)	<u>(52,744,377)</u>	<u>(49,246,111)</u>
Total net position	<u><u>\$(43,601,154)</u></u>	<u><u>\$(41,073,340)</u></u>

The District's net position decreased by \$2,527,814 during the current fiscal year. This compares to an decrease of \$833,684 in the prior year.

Overall, the decrease can be attributed to the increase in the net pension liability and related deferred amounts, and the decrease in the net OPEB liability and related deferred amounts.

As reported in the Statement of Activities, the cost of all governmental activities this year was \$36,554,761. Certain activities were partially funded by those benefiting from the programs (\$677,870) or by other governments and organizations that provided grants and categorical payments (\$8,129,407). The remaining funding of the District (\$25,219,670) was received from taxes and general state aid.

WESTERN SCHOOL DISTRICT

Management's Discussion and Analysis

	Change in Net Position	
	2020	2019
Revenues		
Program revenues:		
Charges for services	\$ 677,870	\$ 837,969
Operating grants and contributions	7,946,421	7,526,617
Capital grants and contributions	182,986	234,646
General revenues:		
Property taxes	4,767,897	4,653,880
State school aid	20,432,004	20,615,716
Other	19,769	28,921
Total revenues	<u>34,026,947</u>	<u>33,897,749</u>
Expenses		
Instruction	21,971,506	20,741,520
Supporting services	11,416,943	10,554,764
Community service	338,829	372,075
Interest on long-term debt	1,027,246	1,261,507
Unallocated depreciation	<u>1,800,237</u>	<u>1,801,567</u>
Total expenses	<u>36,554,761</u>	<u>34,731,433</u>
Change in net position	(2,527,814)	(833,684)
Net position, beginning of year	<u>(41,073,340)</u>	<u>(40,239,656)</u>
Net position, end of year	<u><u>\$(43,601,154)</u></u>	<u><u>\$(41,073,340)</u></u>

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,292,637, an increase of \$437,521 from the prior year. Approximately 72.5% of this total amount constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is nonspendable (\$23,956), restricted (\$571,212), committed (\$518,860) or assigned (\$343,176).

General Fund. The general fund is the chief operating fund of the District, and represents the District's unassigned fund balance. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,835,433. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 12.7% of total general fund expenditures and transfers out.

During the current fiscal year, the fund balance in the District's general fund increased by \$165,636, as compared with the increase in the 2018-19 school year of \$311,927.

Debt Service Fund. Fund balance for this fund was \$322,214 as of June 30, 2020, which is restricted for future principal and interest payments on long-term debt.

WESTERN SCHOOL DISTRICT

Management's Discussion and Analysis

General Fund Budgetary Highlights

The final amended revenue budget was \$557,335 greater than the original budget. The final amended expenditure budget was \$1,059,568 greater than the original budget. Actual results were better than expected and the ending fund balance exceeded anticipated final amended budget amounts by \$156,481.

The District adopts its original budget in June, prior to the start of the fiscal year. This budget requires amendments due to the timing of its preparation in relation to knowledge surrounding revenue sources which will be available to the District.

The original budget is prepared using certain assumptions regarding student counts, which have a major impact on available revenues. The District's general state aid is computed using a per student foundation, which was \$8,111 during the 2019/20 school year. The number of students the state uses for aid purposes are based on 10% of the February student count from the prior fiscal year and 90% of the student count taken on the first Wednesday in October of the current fiscal year. The student count information is not available when preparing the original budget.

The 2019/2020 foundation approved by the Legislature was \$240 more per student than the 2018/2019 fiscal year, and the actual student count was lower in 2019/2020 than in 2018/2019. The 2019/2020 state aid was revised after year end by the Legislature to reduce revenue by a shortfall reduction of \$175 per student, for a total reduction of \$507,565. Budgeted expenditures of \$158,372 for curriculum projects were not purchased as of year end and were assigned as part of the fund balance. Budgeted expenditures of \$134,056 for teaching supplies and technology expenses were not purchased as of year end and were assigned as part of the fund balance. The Board committed an additional \$140,000 of fund balance to curriculum. Additional savings were recognized in budgeted expenditures for custodial services and health insurance from credits received due to the pandemic.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2020, totaled \$39,895,220 (net of accumulated depreciation), as compared to prior year's investment of \$40,734,757. This investment in capital assets includes the following:

	District's Capital Assets (net of depreciation)	
	2020	2019
Land	\$ 1,090,428	\$ 1,090,428
Construction in progress	364,184	312,862
Buildings and improvements	30,676,649	31,104,223
Improvements other than buildings	5,131,061	5,227,266
Equipment/furnishings	385,977	298,491
Technology equipment	1,222,326	1,553,238
Buses	953,811	1,139,214
Vehicles other than buses	70,784	9,035
Total	<u>\$ 39,895,220</u>	<u>\$ 40,734,757</u>

WESTERN SCHOOL DISTRICT

Management's Discussion and Analysis

The major capital asset additions during the current fiscal year included the following:

- Safety grant - security upgrades to all buildings
- Kioti tractor and attachments
- Bus video cameras

Additional information on the District's capital assets can be found in footnotes of the financial statements.

Long-term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$33,625,000.

The District's total bonded debt increased by \$1,500,000 during the current fiscal year due to the issuance of the 2020 refunding bonds, offset by the regular and refunded bond principal payments.

Additional information on the District's long-term debt can be found in the footnotes of the financial statements.

Factors Bearing on the District's Future

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2020-21 fiscal year:

- In March of 2020, the COVID-19 pandemic closed schools for in-person instruction for the remainder of the 2019-2020 school year. The budget for the year ended June 30, 2021 was adopted in June 2020 when there was a high degree of uncertainty related to the funding and operations for districts in the State of Michigan due to the novel coronavirus outbreak (COVID-19). Due to the pandemic, the State of Michigan has received less tax revenue than originally projected and many workers in the State of Michigan are unemployed. The economic impact of the pandemic could greatly impact school funding for the 2020-2021 school year. In addition, the District is continuously evaluating the impacts of the pandemic as it determines the appropriate methods to deliver education to students in a safe environment. These factors will have a significant impact on the operational and financial performance of the District.
- The 2020-2021 foundation was not approved by the legislature at the time of the budget adoption. The District budgeted for \$7,361; \$750 less than the 2019-2020 fiscal year based on information at the time the budget was prepared. The 2020-2021 foundation was approved by the legislature as of September 30, 2020 at a flat funding rate of \$8,111.
- Additional federal funding has been provided to the District as a result of the pandemic. At the time the budget was prepared, the District was aware of ESSER funds. Additional CRF and District Covid-19 Cost funds have been provided since the budget was prepared and adopted. These funds were issued through July and August state aid, but will be recorded as revenue in the 20-21 budget.
- The District has taken steps to increase enrollment by accepting out-of-district students through the "School of Choice" program.
- The District strives to maintain responsible financial viability to support continuous improvement in student achievement.

WESTERN SCHOOL DISTRICT

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 1400 S. Dearing Rd, Parma, Michigan 49269.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

WESTERN SCHOOL DISTRICT

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Cash and investments	\$ 4,139,391
Receivables	4,424,469
Prepays and other items	23,956
Capital assets not being depreciated	1,454,612
Capital assets being depreciated, net	<u>38,440,608</u>
Total assets	<u>48,483,036</u>
Deferred outflows of resources	
Deferred charge on refunding	1,681,339
Deferred pension amounts	15,492,028
Deferred other postemployment benefit amounts	<u>3,647,287</u>
Total deferred outflows of resources	<u>20,820,654</u>
Liabilities	
Accounts payable and accrued liabilities	3,238,346
State aid note payable	159,186
Unearned revenue	113,490
Long-term debt:	
Due within one year	3,125,771
Due in more than one year	32,515,545
Net pension liability (due in more than one year)	55,106,089
Net other postemployment benefit liability (due in more than one year)	<u>11,941,795</u>
Total liabilities	<u>106,200,222</u>
Deferred inflows of resources	
Deferred pension amounts	2,077,258
Deferred other postemployment benefit amounts	<u>4,627,364</u>
Total deferred inflows of resources	<u>6,704,622</u>
Net position	
Net investment in capital assets	8,768,889
Restricted for debt service	106,100
Restricted for food service	268,234
Unrestricted (deficit)	<u>(52,744,377)</u>
Total net position	<u>\$ (43,601,154)</u>

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

WESTERN SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction:					
Basic programs	\$ 17,281,018	\$ 21,719	\$ 2,691,725	\$ -	\$ (14,567,574)
Added needs	4,690,488	-	4,296,989	-	(393,499)
Total instruction	<u>21,971,506</u>	<u>21,719</u>	<u>6,988,714</u>	<u>-</u>	<u>(14,961,073)</u>
Support services:					
Pupil	1,590,769	-	-	-	(1,590,769)
Instructional services	570,223	-	-	-	(570,223)
General administration	354,195	-	-	-	(354,195)
School administration	2,135,484	-	-	-	(2,135,484)
Business	601,452	-	-	-	(601,452)
Maintenance	1,839,448	-	-	182,986	(1,656,462)
Transportation	1,499,776	4,686	-	-	(1,495,090)
Central services	948,736	54,770	-	-	(893,966)
Athletics	866,461	70,867	-	-	(795,594)
Food service	1,010,399	274,096	653,622	-	(82,681)
Total supporting services	<u>11,416,943</u>	<u>404,419</u>	<u>653,622</u>	<u>182,986</u>	<u>(10,175,916)</u>
Community service	<u>338,829</u>	<u>251,732</u>	<u>-</u>	<u>-</u>	<u>(87,097)</u>
Interest on long-term debt	<u>1,027,246</u>	<u>-</u>	<u>304,085</u>	<u>-</u>	<u>(723,161)</u>
Unallocated depreciation	<u>1,800,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,800,237)</u>
Total governmental activities	<u>\$ 36,554,761</u>	<u>\$ 677,870</u>	<u>\$ 7,946,421</u>	<u>\$ 182,986</u>	<u>\$ (27,747,484)</u>

continued...

WESTERN SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2020

	Governmental Activities
Change in net position	
Net expense	<u>\$ (27,747,484)</u>
General revenues	
Property taxes	4,767,897
State school aid	20,432,004
Unrestricted investment earnings	<u>19,769</u>
Total general revenues	<u>25,219,670</u>
Change in net position	(2,527,814)
Net position, beginning of year	<u>(41,073,340)</u>
Net position, end of year	<u>\$ (43,601,154)</u>
	concluded.

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

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FUND FINANCIAL STATEMENTS

WESTERN SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2020

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 3,231,693	\$ 321,892	\$ 585,535	\$ 4,139,120
Accounts receivable	53,052	-	1,675	54,727
Taxes receivable	-	347	-	347
Due from other governments	4,288,266	-	81,129	4,369,395
Due from other funds	-	275	-	275
Inventories	-	-	19,236	19,236
Prepaid items	4,720	-	-	4,720
Total assets	\$ 7,577,731	\$ 322,514	\$ 687,575	\$ 8,587,820
Liabilities				
Accounts payable	\$ 111,642	\$ 300	\$ 744	\$ 112,686
Accrued salaries and related liabilities	2,895,006	-	14,540	2,909,546
Due to other funds	275	-	-	275
Unearned revenue	88,293	-	25,197	113,490
State aid note payable	159,186	-	-	159,186
Total liabilities	3,254,402	300	40,481	3,295,183
Fund balances				
Nonspendable:				
Inventories	-	-	19,236	19,236
Prepaid items	4,720	-	-	4,720
Restricted:				
Debt service	-	322,214	-	322,214
Food service	-	-	248,998	248,998
Committed:				
Capital projects	-	-	378,860	378,860
Curriculum	140,000	-	-	140,000
Assigned:				
Curriculum carryover	158,372	-	-	158,372
Student technology	134,056	-	-	134,056
Classroom supply grants	27,613	-	-	27,613
Teaching supply carryover	23,135	-	-	23,135
Unassigned	3,835,433	-	-	3,835,433
Total fund balances	4,323,329	322,214	647,094	5,292,637
Total liabilities, deferred inflows of resources and fund balances	\$ 7,577,731	\$ 322,514	\$ 687,575	\$ 8,587,820

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

WESTERN SCHOOL DISTRICT

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2020

Fund balances - total governmental funds	\$ 5,292,637
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,454,612
Capital assets being depreciated, net	38,440,608
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.	
Net position of governmental activities accounted for in internal service funds	271
Certain liabilities, such as bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds, notes from direct borrowings and direct placements, and revolving loan payable	(34,495,091)
Unamortized bond premium	(638,950)
Unamortized charge on refunding	1,681,339
Accrued interest payable on bonds	(216,114)
Accrued compensated absences	(402,275)
Accrued voluntary severance plan	(105,000)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability and the net other postemployment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(55,106,089)
Deferred outflows related to the net pension liability	15,492,028
Deferred inflows related to the net pension liability	(2,077,258)
Net other postemployment benefit liability	(11,941,795)
Deferred outflows related to the net other postemployment benefit liability	3,647,287
Deferred inflows related to the net other postemployment benefit liability	(4,627,364)
Net position of governmental activities	<u>\$ (43,601,154)</u>

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

WESTERN SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources:				
Property taxes	\$ 2,082,576	\$ 2,685,321	\$ -	\$ 4,767,897
Other sources	2,410,039	16,893	279,362	2,706,294
State sources	24,836,017	304,085	217,924	25,358,026
Federal sources	577,430	-	618,684	1,196,114
Total revenues	29,906,062	3,006,299	1,115,970	34,028,331
Expenditures				
Instruction:				
Basic programs	15,326,190	-	-	15,326,190
Added needs	4,139,408	-	-	4,139,408
Total instruction	19,465,598	-	-	19,465,598
Support services:				
Pupil	1,058,664	-	-	1,058,664
Instructional services	521,650	-	-	521,650
General administration	439,733	-	-	439,733
School administration	1,900,039	-	-	1,900,039
Business	543,816	-	-	543,816
Maintenance	1,813,236	-	-	1,813,236
Transportation	1,385,492	-	-	1,385,492
Central services	904,882	-	-	904,882
Athletics	786,192	-	-	786,192
Food service	-	-	949,589	949,589
Total support services	9,353,704	-	949,589	10,303,293
Community services	321,540	-	-	321,540
Debt service:				
Principal	211,409	3,764,068	-	3,975,477
Interest and fiscal charges	18,578	1,267,300	-	1,285,878
Total debt service	229,987	5,031,368	-	5,261,355
Capital outlay	571,786	-	255,426	827,212
Total expenditures	29,942,615	5,031,368	1,205,015	36,178,998

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WESTERN SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues under expenditures	\$ (36,553)	\$ (2,025,069)	\$ (89,045)	\$ (2,150,667)
Other financing sources (uses)				
Issuance of long-term debt	364,184	23,480,000	-	23,844,184
Payment to escrow agent	-	(21,255,996)	-	(21,255,996)
Transfers in	-	-	161,995	161,995
Transfers out	(161,995)	-	-	(161,995)
Total other financing sources	202,189	2,224,004	161,995	2,588,188
Net change in fund balances	165,636	198,935	72,950	437,521
Fund balances, beginning of year	4,157,693	123,279	574,144	4,855,116
Fund balances, end of year	\$ 4,323,329	\$ 322,214	\$ 647,094	\$ 5,292,637

concluded.

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

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WESTERN SCHOOL DISTRICT

Reconciliation

Net Changes in Fund Balances of Governmental Funds to
Change in Net Position of Governmental Activities
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds	\$ 437,521
Amounts reported for <i>governmental activities</i> 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 and reported as depreciation expense.	
Purchase/acquisition of capital assets	964,816
Depreciation expense	(1,800,237)
Loss on disposal of capital assets	(4,116)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	
Proceeds from the issuance of long-term debt	(23,844,184)
Payment to escrow agent	21,255,996
Principal payments on long-term debt	3,975,477
Change in accrued interest payable on School Loan Revolving Funds	221,410
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Net change in unavailable revenue	(1,384)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in the net pension liability and related deferred amounts	(4,259,390)
Change in the net other postemployment benefit liability and related deferred amounts	876,912
Amortization of deferred charge on refunding, bond discount and bond premium	52,984
Change in accrual for accrued compensated absences	(282,857)
Change in accrual for voluntary severance plan	(105,000)
Change in accrued interest payable	(15,762)
Change in net position of governmental activities	<u>\$ (2,527,814)</u>

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

WESTERN SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 2,078,486	\$ 2,087,199	\$ 2,082,576	\$ (4,623)
Other	2,421,196	2,355,674	2,410,039	54,365
State sources	24,909,568	25,418,063	24,836,017	(582,046)
Federal sources	520,850	626,499	577,430	(49,069)
Total revenues	29,930,100	30,487,435	29,906,062	(581,373)
Expenditures				
Instruction:				
Basic programs	15,333,704	15,497,962	15,326,190	(171,772)
Added needs	4,193,222	4,407,776	4,139,408	(268,368)
Total instruction	19,526,926	19,905,738	19,465,598	(440,140)
Support services:				
Pupil	1,078,289	1,116,723	1,058,664	(58,059)
Instructional services	483,146	549,688	521,650	(28,038)
General administration	447,593	447,593	439,733	(7,860)
School administration	1,903,358	1,932,196	1,900,039	(32,157)
Business	539,527	559,182	543,816	(15,366)
Maintenance	1,916,243	1,889,622	1,813,236	(76,386)
Transportation	1,422,783	1,388,026	1,385,492	(2,534)
Central services	946,551	962,782	904,882	(57,900)
Athletics	779,330	795,869	786,192	(9,677)
Total support services	9,516,820	9,641,681	9,353,704	(287,977)
Community services	352,855	335,619	321,540	(14,079)
Debt service:				
Principal	-	211,409	211,409	-
Interest and fiscal charges	25,253	24,430	18,578	(5,852)
Total debt service	25,253	235,839	229,987	(5,852)
Capital outlay	362,666	725,211	571,786	(153,425)
Total expenditures	29,784,520	30,844,088	29,942,615	(901,473)
Revenues over (under) expenditures	145,580	(356,653)	(36,553)	320,100
Other financing sources (uses)				
Issuance of long-term debt	-	527,803	364,184	(163,619)
Transfers out	(50,000)	(161,995)	(161,995)	-
Total other financing sources (uses)	(50,000)	365,808	202,189	(163,619)
Net change in fund balance	95,580	9,155	165,636	156,481
Fund balance, beginning of year	3,263,653	4,157,693	4,157,693	-
Fund balance, end of year	\$ 3,359,233	\$ 4,166,848	\$ 4,323,329	\$ 156,481

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

WESTERN SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund
June 30, 2020

	Governmental Activities
	Internal Service Fund - Health Care Consortium
Assets	
Cash and cash equivalents	\$ 271
Net position	
Unrestricted	\$ 271

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

WESTERN SCHOOL DISTRICT

Statement of Revenues, Expenses and Change in Fund Net Position

Proprietary Fund

For the Year Ended June 30, 2020

	Governmental Activities
	Internal Service Fund - Health Care Consortium
Operating revenues	
Charges for services	\$ 21,017,382
Operating expenditures	
Supporting services	<u>21,017,382</u>
Change in net position	-
Net position, beginning of year	<u>271</u>
Net position, end of year	<u><u>\$ 271</u></u>

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

WESTERN SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2020

	Governmental Activities
	Internal Service Fund - Health Care Consortium
Cash flows from operating activities	
Cash received from participants	\$ 21,017,382
Cash payments for goods and services	<u>(21,017,382)</u>
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>271</u>
Cash and cash equivalents, end of year	<u><u>\$ 271</u></u>

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

WESTERN SCHOOL DISTRICT

Statement of Fiduciary Net Position June 30, 2020

	Private- Purpose Trust	Agency Fund
Assets		
Cash and investments	\$ 371,510	\$ 265,189
Accounts receivable	-	745
Total assets	<u>371,510</u>	<u>\$ 265,934</u>
Liabilities		
Accounts payable	195	\$ 13,848
Due to student groups	-	252,086
Total liabilities	<u>195</u>	<u>\$ 265,934</u>
Net position		
Restricted for scholarships	<u>\$ 371,315</u>	

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

WESTERN SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2020

	Private- Purpose Trust
Additions	
Investment earnings	\$ 14,182
Deductions	
Scholarships	<u>15,556</u>
Change in net position	(1,374)
Net position, beginning of year	<u>372,689</u>
Net position, end of year	<u>\$ 371,315</u>

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

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NOTES TO FINANCIAL STATEMENTS

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Western School District (the "District") have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

The District is an independent entity with an elected Board of Education. The Board consists of seven members and has the authority to levy taxes and determine its budget, the power to designate management, and primary accountability for fiscal matters. The financial statements of the District contain all funds controlled by the District's Board of Education.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

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

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

The District reports the following major governmental funds:

The *general fund* is used to account for all financial resources not accounted for and reported in another fund.

The *debt service fund* is used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Additionally, the District reports the following fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *capital projects funds* account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *internal service fund* is used to account for the financing of services (healthcare consortium) provided by one department or agency to other departments or agencies of the District and other school districts within the county on a cost reimbursement basis.

The *private-purpose trust fund* accounts for amounts entrusted to the District for scholarship awards and similar trust activities.

The *agency fund* accounts for assets held for other groups and organizations and are custodial in nature.

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

The effect of interfund activity has been eliminated from the government-wide financial statements.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

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

Investments are reported at fair value, except for its investments in the Michigan Liquid Asset Fund (MILAF), which are recorded at amortized cost.

Receivables and Payables

The District follows the practice of recording revenues that have been earned but not yet received as receivables. Receivables consist primarily of State Aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the District wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

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.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	8-50
Improvements other than buildings	15-20
Equipment/furnishings	7-15
Technology equipment	5-15
Buses	10-12
Vehicles other than buses	3-10

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when incurred in the government-wide financial statements.

Additionally, the District provides for a retirement leave payment, and is paid upon retirement with at least 10 years of service, which is based on the employees last annual pay at varying percentages based upon years of service.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources also relate to pension and other postemployment benefit liabilities.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or designee. *Unassigned fund balance* is the residual classification for the general fund, and for any fund deficits in other governmental funds.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance. In its fund balance policy, the Board desires to maintain a general fund balance of at least 5% of the District's general fund annual operating expenditures, in stable economic times.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and net other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 83 percent of the District's general fund revenue during the 2020 fiscal year.

3. BUDGETARY COMPLIANCE

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis.

All annual appropriations lapse at fiscal year end.

4. DEPOSITS AND INVESTMENTS

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

Statement of Net Position	
Cash and investments	\$ 4,139,391
Statement of Fiduciary Net Position	
Cash and investments	<u>636,699</u>
	<u>\$ 4,776,090</u>
Deposits and investments	
Cash on hand	\$ 1,900
Bank deposits:	
Checking/savings accounts	3,315,511
Certificates of deposit - due in more than one year	40,711
Investments	<u>1,417,968</u>
	<u>\$ 4,776,090</u>

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

Statutory Authority

State statutes authorize the District to invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investments:

Investment	Maturity	Fair Value / Amortized Cost	Rating
Michigan Liquid Asset Fund (MILAF)	N/A	\$ 28,322	AAAm S&P
Michigan Cooperative Liquid Assets Securities System	N/A	1,128,005	AAAm S&P
Mutual funds	N/A	<u>261,641</u>	Not rated
Total investments		<u>\$ 1,417,968</u>	

Deposit and Investment Risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$2,796,464 of the District's bank balance of \$3,358,927 was exposed to custodial credit risk because it was uninsured and uncollateralized.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimized this risk by prequalifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirement set forth in the District's investment policy. None of the District's investments are subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for the District's investments as of June 30, 2020, are identified above.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District did not have any investments subject to interest rate risk.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The District's recurring fair value measurement as of June 30, 2020 for its investments in mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs).

Investments in Entities that Calculate Net Asset Value per Share. The District holds shares in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the District's investment in Michigan CLASS was \$1,128,005. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

5. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Accounts receivable	\$ 53,052	\$ -	\$ 1,675	\$ 54,727
Taxes receivable	-	347	-	347
Due from other governments	4,288,266	-	81,129	4,369,395
	<u>\$ 4,341,318</u>	<u>\$ 347</u>	<u>\$ 82,804</u>	<u>\$ 4,424,469</u>

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 1,090,428	\$ -	\$ -	\$ -	\$ 1,090,428
Construction in progress	312,862	364,184	-	(312,862)	364,184
	<u>1,403,290</u>	<u>364,184</u>	<u>-</u>	<u>(312,862)</u>	<u>1,454,612</u>
Capital assets, being depreciated:					
Buildings and improvements	51,486,974	237,817	-	312,862	52,037,653
Improvements other than buildings	6,706,491	110,744	-	-	6,817,235
Equipment/furnishings	1,235,031	145,424	(69,971)	-	1,310,484
Technology equipment	3,749,805	31,087	-	-	3,780,892
Buses	2,330,589	-	-	-	2,330,589
Vehicles other than buses	99,695	75,560	-	-	175,255
	<u>65,608,585</u>	<u>600,632</u>	<u>(69,971)</u>	<u>312,862</u>	<u>66,452,108</u>
Less accumulated depreciation for:					
Buildings and improvements	(20,382,751)	(978,253)	-	-	(21,361,004)
Improvements other than buildings	(1,479,225)	(206,949)	-	-	(1,686,174)
Equipment/furnishings	(936,540)	(53,822)	65,855	-	(924,507)
Technology equipment	(2,196,567)	(361,999)	-	-	(2,558,566)
Buses	(1,191,375)	(185,403)	-	-	(1,376,778)
Vehicles other than buses	(90,660)	(13,811)	-	-	(104,471)
	<u>(26,277,118)</u>	<u>(1,800,237)</u>	<u>65,855</u>	<u>-</u>	<u>(28,011,500)</u>
Total capital assets being depreciated, net	<u>39,331,467</u>	<u>(1,199,605)</u>	<u>(4,116)</u>	<u>312,862</u>	<u>38,440,608</u>
Governmental activities capital assets, net	<u>\$ 40,734,757</u>	<u>\$ (835,421)</u>	<u>\$ (4,116)</u>	<u>\$ -</u>	<u>\$ 39,895,220</u>

Depreciation expense of \$1,800,237 was charged to the function "Unallocated depreciation" and not allocated to other functions.

At June 30, 2020, the District had outstanding commitments through construction contracts of approximately \$249,000.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

7. PAYABLES

Payables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
				Total
Fund Financial Statements				
Accounts payable	\$ 111,642	\$ 300	\$ 744	\$ 112,686
Accrued salaries and related liabilities	2,895,006	-	14,540	2,909,546
	<u>\$ 3,006,648</u>	<u>\$ 300</u>	<u>\$ 15,284</u>	<u>3,022,232</u>
Government-wide Financial Statements				
Accrued interest on long-term debt				216,114
				<u>\$ 3,238,346</u>

8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2020, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 275
Debt service fund	275	-
	<u>\$ 275</u>	<u>\$ 275</u>

The District often reports interfund balances between many of its funds. These interfund balances result primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	Transfers In
Transfers Out	Nonmajor Governmental Funds
General fund	<u>\$ 161,995</u>

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

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

9. LONG-TERM DEBT

The following is a summary of bond, note, and compensated absence transactions of the District for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 32,125,000	\$ 23,480,000	\$ (21,980,000)	\$ 33,625,000	\$ 2,430,000
Direct borrowings/ placements:					
Installment purchase agreement	420,945	364,184	(211,409)	573,720	316,152
School loan revolving fund					
Principal	2,027,792	-	(1,734,068)	293,724	-
Interest	224,057	54,522	(275,932)	2,647	-
Unamortized bond premium	743,324	-	(104,374)	638,950	104,374
Unamortized bond discount	(152,024)	-	152,024	-	-
Compensated absences	119,418	330,624	(47,767)	402,275	170,245
Voluntary severance plan	-	105,000	-	105,000	105,000
	<u>\$ 35,508,512</u>	<u>\$ 24,334,330</u>	<u>\$ (24,201,526)</u>	<u>\$ 35,641,316</u>	<u>\$ 3,125,771</u>

General obligation bonds reductions are made up of the following:

Principal payments	\$ (2,030,000)
Bond refunding	<u>(19,950,000)</u>
	<u>\$ (21,980,000)</u>

School loan revolving fund and unamortized bond discount reductions are comprised of refundings.

Compensated absences are typically liquidated by the general fund.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

Bonds payable at June 30, 2020, are comprised of the following issues:

General Obligation Bonds

2011 Refunding Bonds, due in annual installments of \$75,000 to \$800,000 through 2021; interest at 2.00% to 3.0%.	\$ 75,000
\$24,800,000 2012 Building and Site Bonds, due in annual installments of \$425,000 to \$1,450,000 through 2042; interest at 2.00% to 4.00%.	1,225,000
\$7,175,000 2013 Refunding Bonds, due in annual installments of \$475,000 to \$725,000 through 2024; interest at 1.50% to 2.00%.	2,580,000
\$6,905,000 2016 Refunding Bonds, due in annual installments of \$640,000 to \$925,000 through 2027; interest at 4.00%.	6,265,000
\$23,480,000 2020 Refunding Bonds, due in annual installments of \$385,000 to \$2,085,000 through 2042; interest at 2.6%.	<u>23,480,000</u>
	<u>\$ 33,625,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 2,430,000	\$ 947,173	\$ 3,377,173
2022	2,570,000	812,146	3,382,146
2023	2,645,000	739,858	3,384,858
2024	2,800,000	673,000	3,473,000
2025	2,850,000	603,412	3,453,412
2026-2030	8,420,000	2,065,838	10,485,838
2031-2035	4,510,000	1,408,054	5,918,054
2036-2040	5,130,000	788,484	5,918,484
2041-2042	<u>2,270,000</u>	<u>102,784</u>	<u>2,372,784</u>
	<u>\$ 33,625,000</u>	<u>\$ 8,140,749</u>	<u>\$ 41,765,749</u>

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

Advance Refunding

During the year, the District issued \$23,480,000 in refunding bonds to refund \$19,950,000 of 2012 Building and Site Bonds and \$2,010,000 of School Loan Revolving Fund. The refunding resulted in savings of \$3,153,806 and an economic gain of \$1,924,126.

The District has defeased bonds in the current year by placing the proceeds of new bonds into irrevocable trust accounts to provide for all future debt service payments on the old bonds. At June 30, 2020, \$19,950,000 of defeased bonds remain outstanding, which includes bonds refunded during the current fiscal year.

Installment Purchase Agreement

The District entered into an installment purchase agreement on July 5, 2018, with Apple Inc. to purchase iPads and related Apple equipment for \$566,200. Payments, including principal and interest at 1.75%, of \$145,255 are to be made on July 5 of each year beginning in 2018 through 2021. The District entered into an installment purchase agreement on February 28, 2020, with TEAM FINANCIAL GROUP to purchase lighting from OGNI, Inc. for \$527,803. Payments, including principal and interest at 0%, of \$14,654 are to be made monthly through 2023. As the lighting work was not complete at June 30, 2020, a portion of the debt is considered to be not drawn.

Annual debt service requirements to maturity for the installment purchase agreement are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 316,152	\$ 4,954	\$ 321,106
2022	318,607	2,498	321,105
2023	102,580	-	102,580
	<u>\$ 737,339</u>	<u>\$ 7,452</u>	<u>\$ 744,791</u>
Less: amounts not drawn	<u>(163,619)</u>		
	<u>\$ 573,720</u>		

School Loan Revolving Fund

The School Loan Revolving Fund represents amounts borrowed from the State of Michigan School Bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the Debt Service requirements on the general obligation bonds. During the year, the District refunded principal and interest amounts totaling \$2,010,000 and borrowed principal and interest totaling \$54,522.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

10. SHORT-TERM DEBT

During the year, the District financed certain of its operations through the issuance of State aid anticipation notes. These notes were issued for terms of less than one year, and accordingly are recorded as liabilities of the respective funds from which they were issued.

Changes in short-term state aid notes for the year ended June 30, 2020, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
State aid note	\$ 209,750	\$ 1,114,300	\$ (1,164,864)	\$ 159,186

The District has one state aid anticipation note in the original amount of \$1,100,000, which carries interest at a rate of 1.3%, and is due on July 20, 2020.

11. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2020, net investment in capital assets was comprised of the following:

Net investment in capital assets	
Capital assets not being depreciated	\$ 1,454,612
Capital assets being depreciated, net	38,440,608
Bonds payable	(33,625,000)
Less bonds payable outstanding related to refunding of school loan revolving fund	2,030,000
Notes from direct borrowings and direct placements	(573,720)
Unamortized charge on refunding	1,681,339
Unamortized bond premium	(638,950)
Total net investment in capital assets	<u>\$ 8,768,889</u>

12. RISK MANAGEMENT

The 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 to protect itself from errors and omissions claims, employee injury (workers' compensation) and medical benefits.

The District participates in an association of education institutions located within the State of Michigan for self insuring property and casualty claims and losses. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for this coverage. In the event the association's total claims and expenses for a policy year exceed the total normal premiums for said year, all members of the policy year may be subject to special assessments to cover the difference. The association maintains reinsurance to limit its exposure to large claims. To date, the District has not been notified of the need for any special assessments; refunds have been received or credited to premiums for the past several years.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

13. PROPERTY TAXES

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1, and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14, and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 29 are recognized as revenue when collected.

14. TAX ABATEMENTS

The District received reduced property tax revenues during 2020 as a result of industrial facilities tax exemptions (IFT's) entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements amounted to approximately \$163,000 in reduced District tax revenues for 2020.

15. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

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

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 at the ORS website at www.michigan.gov/orsschools.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

Pension 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% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

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

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

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

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

Contributions

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

Employer 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 table below summarizes pension contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	18.25% - 19.41%
Member Investment Plan (MIP)	3.00% - 7.00%	18.25% - 19.41%
Pension Plus	3.00% - 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

For the year ended June 30, 2020, required and actual contributions from the District to the pension plan were \$4,572,347, which included \$1,827,801, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.93% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

For the year ended June 30, 2020, required and actual contributions from the District to the OPEB plan were \$1,174,225.

The table below summarizes defined contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2020, required and actual contributions from the District for those members with a defined contribution benefit were \$164,436.

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 \$55,106,089 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.16640%, which was a decrease of 0.00013% from its proportion measured as of September 30, 2018.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

For the year ended June 30, 2020, the District recognized pension expense of \$8,813,504. 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	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 247,003	\$ 229,787	\$ 17,216
Changes in assumptions	10,789,811	-	10,789,811
Net difference between projected and actual earnings on pension plan investments	-	1,766,056	(1,766,056)
Changes in proportion and differences between employer contributions and proportionate share of contributions	140,475	81,415	59,060
	<u>11,177,289</u>	<u>2,077,258</u>	<u>9,100,031</u>
District contributions subsequent to the measurement date	4,314,739	-	4,314,739
	<u>4,314,739</u>	<u>-</u>	<u>4,314,739</u>
Total	<u>\$ 15,492,028</u>	<u>\$ 2,077,258</u>	<u>\$ 13,414,770</u>

The \$4,314,739 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year 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:

Year Ended June 30,	Amount
2021	\$ 3,672,940
2022	2,856,120
2023	1,833,416
2024	<u>737,555</u>
Total	<u>\$ 9,100,031</u>

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

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 \$11,941,795 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.16637% which was a decrease of 0.00022% from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$296,933. At June 30, 2020, 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	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 4,381,782	\$ (4,381,782)
Changes in assumptions	2,587,545	-	2,587,545
Net difference between projected and actual earnings on OPEB plan investments	-	207,674	(207,674)
Changes in proportion and differences between employer contributions and proportionate share of contributions	392	37,908	(37,516)
	<u>2,587,937</u>	<u>4,627,364</u>	<u>(2,039,427)</u>
District contributions subsequent to the measurement date	1,059,350	-	1,059,350
Total	<u>\$ 3,647,287</u>	<u>\$ 4,627,364</u>	<u>\$ (980,077)</u>

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

The \$1,059,350 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2021	\$ (564,458)
2022	(564,458)
2023	(460,812)
2024	(298,834)
2025	<u>(150,865)</u>
Total	<u>\$ (2,039,427)</u>

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. The total pension and OPEB liabilities in the September 30, 2018 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

Other OPEB 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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2019, are 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. The recognition period for pension liabilities is 4.4977 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.7101 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-term Expected Return on Pension 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		5.65%
Inflation			2.30%
Risk adjustment			<u>-1.15%</u>
Investment rate of return			<u>6.80%</u>

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on OPEB 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	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		5.65%
Inflation			2.30%
Risk adjustment			<u>-1.00%</u>
Investment rate of return			<u>6.95%</u>

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and 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 pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates 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 and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.00% 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 (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
District's proportionate share of the net pension liability	\$ 71,641,441	\$ 55,106,089	\$ 41,397,712

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 the 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 (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	\$ 14,648,405	\$ 11,941,795	\$ 9,668,993

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

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

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

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 9,572,636	\$ 11,941,795	\$ 14,648,084

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$638,312 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020.

Payable to the OPEB Plan

At June 30, 2020, the District reported a payable of \$127,470 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2020.

16. HEALTH PLAN CONSORTIUM

Western School District administers an agreement with ten local school districts for the purpose of collectively purchasing public employee health benefits to achieve efficiencies and cost reductions in health care expenditures. These transactions are accounted for in the Health Plan Consortium internal service fund.

17. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the District's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it will continue to place additional demands on the District as it determines the appropriate methods to deliver education to students in a safe environment. While management reasonably expects the COVID-19 outbreak to negatively impact the District's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

WESTERN SCHOOL DISTRICT

Notes to Financial Statements

18. SUBSEQUENT EVENTS

State Aid Anticipation Notes

On August 20, 2020, the District received proceeds of \$1,250,000 for a State of Michigan School Aid anticipation note due July 20, 2021. The note bears interest at 0.7%.

Apple iPad Installment Purchase Agreement Extension

On August 1, 2020, the District signed an agreement to amend the July 5, 2018 Apple iPad installment purchase agreement. The original agreement required payments (principal and interest at 1.75%) of \$145,255 to be made each year beginning July 2018 through July 2021. The amended agreement requires a payment (principal and interest at 1.87%) of \$145,255 to be paid on August 2021, followed by payments (principal and interest at 1.87%) of \$136,189 to be paid each August through 2024.

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REQUIRED SUPPLEMENTARY INFORMATION

WESTERN SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,		
	2020	2019	2018
District's proportionate share of the net pension liability	\$ 55,106,089	\$ 50,063,100	\$ 43,182,332
District's proportion of the net pension liability	0.16640%	0.16653%	0.16664%
District's covered payroll	\$ 14,504,051	\$ 14,162,172	\$ 13,966,855
District's proportionate share of the net pension liability as a percentage of its covered payroll	379.94%	353.50%	309.18%
Plan fiduciary net position as a percentage of the total pension liability	60.31%	62.36%	64.21%

See notes to required supplementary information.



Year Ended June 30,		
2017	2016	2015
\$ 41,289,127	\$ 40,052,547	\$ 34,907,472
0.16549%	0.16398%	0.15848%
\$ 14,029,289	\$ 13,671,875	\$ 13,470,631
294.31%	292.96%	259.14%
63.27%	63.17%	66.20%

WESTERN SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan Schedule of the District's Pension Contributions

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contribution	\$ 4,572,347	\$ 4,422,666	\$ 4,791,664
Contributions in relation to the statutorily required contribution	<u>(4,572,347)</u>	<u>(4,422,666)</u>	<u>(4,791,664)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,684,383	\$ 14,513,998	\$ 14,291,728
Contributions as a percentage of covered payroll	31.14%	30.47%	33.53%

See notes to required supplementary information.

Year Ended June 30,		
2017	2016	2015
\$ 3,905,084	\$ 3,773,367	\$ 3,106,822
<u>(3,905,084)</u>	<u>(3,773,367)</u>	<u>(3,106,822)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,355,573	\$ 13,992,372	\$ 13,701,385
27.20%	26.97%	22.68%

WESTERN SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (OPEB) Liability

	Year Ended June 30,		
	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 11,941,795	\$ 13,242,466	\$ 14,762,883
District's proportion of the net OPEB liability	0.16637%	0.16659%	0.16671%
District's covered payroll	\$ 14,504,051	\$ 14,162,172	\$ 13,966,855
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.33%	93.51%	105.70%
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.39%

See notes to required supplementary information.

WESTERN SCHOOL DISTRICT

Required Supplementary Information

MPERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit (OPEB) Contributions

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contribution	\$ 1,174,225	\$ 1,140,692	\$ 1,163,266
Contributions in relation to the statutorily required contribution	<u>(1,174,225)</u>	<u>(1,140,692)</u>	<u>(1,163,266)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,684,383	\$ 14,513,998	\$ 14,291,728
Contributions as a percentage of covered payroll	8.00%	7.86%	8.14%

See notes to required supplementary information.

WESTERN SCHOOL DISTRICT

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

COMBINING FUND FINANCIAL STATEMENTS

WESTERN SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2020

	Special Revenue Food Service	Capital Projects Building & Site	2018 Capital Projects - Safety Grant	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 206,675	\$ 378,860	\$ -	\$ 585,535
Accounts receivable	1,675	-	-	1,675
Due from other governments	81,129	-	-	81,129
Inventories	19,236	-	-	19,236
Total assets	\$ 308,715	\$ 378,860	\$ -	\$ 687,575
Liabilities				
Accounts payable	\$ 744	\$ -	\$ -	\$ 744
Accrued salaries and related liabilities	14,540	-	-	14,540
Unearned revenue	25,197	-	-	25,197
Total liabilities	40,481	-	-	40,481
Fund balances				
Nonspendable	19,236	-	-	19,236
Restricted	248,998	-	-	248,998
Committed	-	378,860	-	378,860
Total fund balances	268,234	378,860	-	647,094
Total liabilities, deferred inflows of resources and fund balances	\$ 308,715	\$ 378,860	\$ -	\$ 687,575

WESTERN SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Special Revenue Food Service	Capital Projects Building & Site	2018 Capital Projects - Safety Grant	Total Nonmajor Governmental Funds
Revenues				
Local sources -				
Other sources	\$ 275,480	\$ 3,882	\$ -	\$ 279,362
State sources	34,938	-	182,986	217,924
Federal sources	618,684	-	-	618,684
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	929,102	3,882	182,986	1,115,970
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Support services -				
Food service	949,589	-	-	949,589
Capital outlay	10,445	-	244,981	255,426
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	960,034	-	244,981	1,205,015
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	(30,932)	3,882	(61,995)	(89,045)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources				
Transfers in	-	100,000	61,995	161,995
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(30,932)	103,882	-	72,950
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	299,166	274,978	-	574,144
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 268,234</u>	<u>\$ 378,860</u>	<u>\$ -</u>	<u>\$ 647,094</u>

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SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

October 9, 2020

Board of Education
Western School District
Parma, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Western School District* (the "District") 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. We issued our report thereon dated October 9, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson LLC

Rehmann is an independent member of Nexia International.



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WESTERN SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Agriculture			
Child Nutrition Cluster:			
National School Breakfast Program:			
2018-2019 School Breakfast	10.553	MDE	191970
2019-2020 School Breakfast	10.553	MDE	201970
Entitlement commodities (non-cash assistance)	10.555	MDE	n/a
National School Lunch:			
2018-2019 Section 11	10.555	MDE	191960
2019-2020 Section 11	10.555	MDE	201960
COVID-19 - Unanticipated School Closure SFSP	10.555	MDE	200902
Total U.S. Department of Agriculture			
U.S. Department of Education			
Title I, Part A:			
2018-19	84.010	MDE	191530-1819
2019-20	84.010	MDE	201530-1920
McKinney - Vento Homeless Grant:			
2018-19	84.196	JCISD	192320-1819
2019-20	84.196	JCISD	202320-1920
Title II, Part A:			
2018-19	84.367	MDE	190520-1819
2019-20	84.367	MDE	200520-1920
Title IV:			
2018-19	84.424A	MDE	190750-1819
2019-20	84.424A	MDE	200750-1920
Total U.S. Department of Education			
U.S. Department of Health and Human Services			
Medicaid Cluster -			
Medicaid Outreach	93.778	JCISD	-n/a-
Total Federal Financial Assistance			

See notes to schedule of expenditures of federal awards.

Approved Grant Award Amount	Expenditures (Memo Only) Prior Year(s)	Accrued (Unearned) Revenue July 1, 2019	Current Year Cash Received	Expenditures Year Ended June 30, 2020	Accrued (Unearned) Revenue June 30, 2020
\$ 124,212	\$ -	\$ -	\$ 17,680	\$ 17,680	\$ -
72,807	-	-	72,807	72,807	-
		-	90,487	90,487	-
59,617	-	-	59,617	59,617	-
412,253	-	-	64,985	64,985	-
239,644	-	-	239,644	239,644	-
163,951	-	-	101,085	163,951	62,866
		-	465,331	528,197	62,866
		-	555,818	618,684	62,866
469,191	461,956	461,956	461,956	-	-
456,799	-	-	329,615	433,500	103,885
		461,956	791,571	433,500	103,885
8,695	4,160	4,160	4,160	-	-
3,000	-	-	3,000	3,000	-
		4,160	7,160	3,000	-
113,480	68,789	68,789	100,641	31,852	-
87,479	-	-	-	61,949	61,949
		68,789	100,641	93,801	61,949
34,782	1,327	1,327	1,327	-	-
38,531	-	-	16,052	36,632	20,580
		1,327	17,379	36,632	20,580
		536,232	916,751	566,933	186,414
10,497	-	-	10,497	10,497	-
		\$ 536,232	\$ 1,483,066	\$ 1,196,114	\$ 249,280

WESTERN SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Western School District (the "District") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The District receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
JCISD	Jackson County Intermediate School District

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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 9, 2020

Board of Education
Western School District
Parma, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Western School District* (the "District"), 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, and have issued our report thereon dated October 9, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 District'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.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The script is cursive and fluid, with the letters "L" and "L" at the beginning and end being particularly prominent.

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

October 9, 2020

Board of Education
Western School District
Parma, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of *Western School District* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2020. The District's major federal program is identified in the summary of auditors' 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program 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 the District's 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 the District's 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 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.

Purpose of this Report

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.

A handwritten signature in black ink that reads "Rehmann Lobann LLC". The signature is written in a cursive, flowing style.

WESTERN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
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10.553 & 10.555	Child Nutrition Cluster	Unmodified
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

WESTERN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS

No matters were reported.

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WESTERN SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2020

None reported.

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