Marquette Area Public Schools

Year Ended June 30, 2020

Financial Statements and Single Audit Act Compliance

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MARQUETTE AREA PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 26, 2020

Board of Education
Marquette Area Public Schools
Marquette, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining funds information of *Marquette Area Public Schools* (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 of material misstatement.

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

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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the 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 accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 84

As described in Note 16, the District implemented the provisions of GASB Statement No. 84, *Fiduciary Activities,* in the current year. Accordingly, beginning net position of governmental activities, general fund and aggregate remaining funds were restated. Our opinion is not modified with respect to this matter.

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 plan, 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 and the schedule of bond indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is 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 26, 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

Management's Discussion and Analysis

As management of the Marquette Area Public Schools (“the 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. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

Financial Highlights

During the current year, the 2016 capital projects fund completed the fourth and final year of planned upgrades to the District. The final expenditures were for improved security systems for entrances and surveillance cameras. Additionally, the community supported bond provided an auxiliary gymnasium at the Marquette Senior High School, classroom additions at Cherry Creek Elementary and Superior Hills Elementary, Athletic Complex upgrades, Makerspace improvements, water bottle refilling stations district wide, and mechanized bleachers at the Marquette Senior High School and Bothwell Middle School.

The District also increased capital assets with Sinking Fund projects that were completed in FY 20. Improved security entrance routing at all buildings and site improvement with a bus loop at Bothwell Middle School were the two largest projects added to the capital assets. Other Sinking Fund projects that were completed include roof enhancements at Cherry Creek and Superior Hills. Currently in process is the new security and surveillance upgrades for District doors and access points to be on one electronic system. The Natatorium wall and Sandy Knoll wall repairs are also in progress but will be completed summer 2020.

The depreciation on these capital assets purchases are a small part of the total decrease in net position of $2,458,510 for FY 20. The largest component of this change in net position is primarily due to increased liabilities for the pension and OPEB changes. Assets and deferred outflows increased over FY 19 totals, but the increased pension liability caused the total liabilities to outpace those asset increases.

Labor considerations include all contracts expiring at June 30, 2020. At this time of this report, the MAEA (Teacher Union) contract is in a tentative agreement status with all other units expired. There were 7 retirements or resignations in fiscal 2020. This was lower than fiscal 2019 (11) and meets the 5 anticipated faculty member retirements per year. All staff members were paid through the COVID "work from home" period of time although several revenue generating programs were shut down.

At the close of the current fiscal year, the District's governmental funds reported combined fund balances of $11,767,557, an increase of $2,086,080, which includes restatement of $483,422, in comparison of the prior year. This increase is due to the recognition of GASB 84 accounts that were previously not in the governmental funds. Approximately 28.6% of the governmental funds combined fund balance ($3,361,316) is available for spending at the District's discretion (unassigned fund balance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements, which comprise three components: 1) District-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

The basic financial statements include two types of statements that present different views of the District:

The first two statements are the District-wide financial statements that provide both short-term and long-term information about the District’s overall financial status. These statements present an aggregate view of the District’s finances and a longer-term view of those finances.

The next statements are fund financial statements that focus on individual funds of the District. These statements look at the District's operations in more detail than the District-wide financial statements by providing information about the District's General Fund, the only major fund, with all other funds aggregated and presented in one column as nonmajor funds.

District-Wide Financial Statements. The D*istrict-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 Districts assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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., compensated absences).

Both of the District-wide financial statements distinguish functions of the District that are principally supported by taxes and state aid *(governmental activities)*. The governmental activities of the District include instruction, supporting services, food services, community services and athletics.

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 District-wide financial statements. However, unlike the District-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 District's near term financing requirements.

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

Information for each of the District's individual governmental funds is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the general fund, which is considered to be the District's only major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement for the general fund has been provided herein to demonstrate compliance with this budget.

Proprietary Fund - Internal Service Fund. The internal service fund accounts for payment of retirement incentive and unused sick leave reimbursement plan payments for retirees and is reimbursed by other funds for these payments. This fund's activity is reported using the accrual method of accounting and is included 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 District is responsible for ensuring that the assets in these funds are used for their intended purposes.

Notes to the Financial Statements. The *notes* provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis and the schedules of the District's pension and other postemployment benefits plans.

The *combining statements* referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

District-wide Financial Analysis

The District's net position decreased by $2,458,510 or 7.1% primarily due to increased liabilities for pension and OPEB. The table below provides a summary of the District's net position as of June 30:

	Net Position		
	Governmental Activities		Percent Change
	2020	2019	
Assets			
Current and other assets	$ 17,014,819	$ 14,711,175	15.7%
Capital assets, net	21,159,847	21,405,083	-1.1%
Total assets	38,174,666	36,116,258	5.7%
Deferred outflows of resources	23,090,703	22,873,830	0.9%
Liabilities			
Other liabilities	5,123,077	4,857,934	5.5%
Long-term debt	6,434,661	6,964,331	-7.6%
Net pension and OPEB liabilities	77,627,748	72,876,713	6.5%
Total liabilities	89,185,486	84,698,978	5.3%
Deferred inflows of resources	8,817,393	9,053,532	-2.6%
Net position			
Net investment in capital assets	15,239,915	14,989,139	1.7%
Restricted	2,028,505	1,276,595	58.9%
Unrestricted (deficit)	(54,005,930)	(51,028,156)	5.8%
Total net position	$ (36,737,510)	$ (34,762,422)	5.7%

Management's Discussion and Analysis

The largest component of the District's net position reflects its net investment in capital assets (e.g. land, construction-in-progress, land improvements, buildings and improvements, furniture and equipment and vehicles and buses), less any related debt used to acquire those assets that is still outstanding. 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, is 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. Restricted net position of approximately $2.0 million is shown separately to recognize legal constraints from debt covenants and enabling legislation. These constraints limit the District's ability to use the restricted net position for day-to-day operations.

The remaining amount of net position, a deficit of approximately $54.0 million represents the accumulated results of the current and all past years' operations. This deficit includes the impact of the Governmental Accounting Standards Board requirement to report the District's proportionate share of the net pension liability and net other postemployment benefit liability on its statement of net position. The operating results of the general fund will also have a significant impact on the change in unrestricted net position from year to year.

The following condensed financial information was derived from the District-wide statement of activities and reflects how the District's net position changed during the fiscal year ended June 30:

	Net Position		
	Governmental Activities		Percent Change
	2020	2019	
Program revenues			
Charges for services	$ 698,960	$ 845,271	-17.3%
Operating grants	10,254,069	9,272,510	10.6%
General revenues			
Taxes	10,448,477	10,364,958	0.8%
Unrestricted state aid	16,067,537	16,266,838	-1.2%
Other	614,167	286,289	114.5%
Total revenues	38,083,210	37,035,866	2.8%
Expenses			
Instruction	24,034,620	22,102,345	8.7%
Supporting services	13,309,162	12,604,642	5.6%
Food services	1,042,129	1,020,033	2.2%
Community services	156,074	154,230	1.2%
Athletics	604,031	690,347	-12.5%
Other transactions	59,174	85,581	-30.9%
Interest	121,232	130,781	-7.3%
Unallocated depreciation	1,215,298	1,061,785	14.5%
Total expenses	40,541,720	37,849,744	7.1%
Change in net position	(2,458,510)	(813,878)	202.1%
Net position:			
Beginning of year	(34,762,422)	(33,948,544)	2.4%
Restatement for implementation of GASB 84	483,422	-	100.0%
End of year	$ (36,737,510)	$ (34,762,422)	5.7%

Financial Analysis of the District as a Whole

Of the District's total revenues available to operate the District, approximately 2% or $699,000 was generated from fees charged to those who benefited from the programs. Operating grants, approximately 27% or $10.3 million, was earned from other governments or organizations that subsidize certain programs with grants and other directed types of funding.

Local property taxes, in the amount of approximately $10.4 million, represented 27% of the revenues of the governmental activities. The unrestricted state aid accounted for approximately $16.1 million or 42% of the revenue available. This revenue is determined by a formula that incorporates pupil head count, the annual per pupil allowance and the non-homestead property taxable value of the District.

Being in the business of educating children, the largest expenses incurred was instruction, which accounted for approximately $24.0 million or 59% of total expenses. Supporting services amounted to approximately $13.3 million or 33% of total expenses, which includes such items as administration, transportation, technology, maintenance and a variety of similar services that support the District's mission of educating children.

The District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities,* in 2020. The implementation resulted in a change of $483,482 to the beginning net position of governmental activities.

Financial Analysis of the District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of $11.8 million, which is an increase of $2.1 million, including the restatement, from last year. The primary reasons for the increase are as follows:

Major Fund

The general fund, the primary operating fund, experienced an increase of approximately $483,000 from a restatement of the student activity accounts in accordance with GASB 84. Final revenues exceeded expenditures by an additional $840,000 due to extreme measures taken by administration to make mid-year cuts in non-salary areas. These proactive measures were due to the concern for a proration in State Aid Revenue with State of Michigan revenues falling short under COVID-19 restrictions. Without a firm number at the end of the current fiscal year, the District prepared for a worst case scenario for a $350 per pupil proration of revenue while maintaining full payments to employees for wages and benefits. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 10% and 26%, respectively, of total general fund expenditures.

Nonmajor Governmental Funds

The District's capital project funds account for expenditures related to capital outlay improvements. The capital projects fund, sinking fund and 2016 capital projects fund expenditures increased by approximately $800,700. This increase is from the small amount remaining in the 2016 capital projects fund with most of the projects being completed in prior years. No expenditures were made from the general capital projects fund, and the sinking fund has two projects in process. The sinking fund is also reserving current year revenues for the large MSHS parking lot project that requires funds exceeding one year of tax collections.

Other nonmajor governmental funds remained consistent with prior years' revenues and expenses. The 2013 debt fund did make the final payment to complete that debt obligation in May 2020. The District has only the 2016 debt remaining.

General Fund Budgetary Highlights

Generally, as additional information became known during the fiscal year, budget amendments were made as deemed necessary. A statement showing the District's original and final budget amounts, compared with actual amounts is provided in the basic financial statements.

In comparison to the amended budget and actual results, the largest variance in revenues occurred from an amended budget with a $350/pupil proration and the actual result occurring in August was reduced by $175/pupil. Taxable value changes were also made after the final budget was approved and created lower tax revenues in July with an August State Aid adjustment increase as well. Overall revenues exceeded budgeted revenues by approximately $590,000. The budget to actual expenditures variance was highest in operations and maintenance where utility dial downs during COVID-19 and the pool draining created far lower costs than projected. Vacant positions were not filled with subs during COVID -19 time.

Substantial changes to the original and amended budget were as follows:

Budgeted revenues remained fairly consistent from original to final with offsets between local (tax) and state adjustments and state and federal adjustments. Taxable values decreased along with revenue generating programs such as the Planetarium and the Kaufman Auditorium losing revenues during the COVID-19 public event restrictions. The local sources from MARESA increased for special education millage distribution increases and Medicaid increases. State Aid was reduced in the final budget for the anticipated proration and the federal sources increased for full award allocations.

Budgeted expenses decreased approximately $1 million from the original budgeted amount of $36.1 million to the final amended budget of $35.1 million. Much of this decrease is due to severe expenditure cuts from March to June due to uncertainty regarding COVID-19 and buildings being shuttered from Governor Executive Orders. Significant changes from the original budget to the final amended budget are as follows:

Instructional costs were amended by approximately -$584,000 for substitute costs, teaching supplies and direct services not provided during the last trimester of the school year. The District buildings were closed for student learning from March 13 through June due to COVID-19 restrictions.

Supporting services budgets were cut by approximately -$576,000 for substitute costs, supplies and contracted services not provided, lower utility costs and fuel costs.

Community activities costs increased by approximately $30,000 attributable to planetarium and additional youth liaison officer for the District in cooperation with the City of Marquette and the Kaufman Foundation.

Capital Assets and Debt Administration

Capital Assets. At June 30, 2020, the District had invested $21.2 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). Additional information regarding the District's capital assets can be found in the notes to the financial statements.

	Capital Assets (Net of Depreciation)	
	2020	2019
Land	$ 822,392	$ 822,392
Construction in progress	254,155	892,834
Land improvements	2,347,717	1,662,530
Buildings and improvements	16,284,277	16,646,515
Furniture and equipment	1,106,957	1,063,696
Vehicles and buses	344,349	317,116
Total capital assets, net	$ 21,159,847	$ 21,405,083

This year's additions of approximately $1.0 million included $800,000 of prior year projects in process being completed this year. The Bothwell bus loop and the security entrances comprised this amount. New projects were the Sandy Knoll wall, roofing projects at Cherry Creek and Superior Hills, and the Natatorium wall.

Construction in progress at year-end consists of ongoing improvements to the District security projects and the two building wall repairs that are nearly completed at fiscal year end 2020. New projects anticipated are the boiler upgrades at the MSHS and the parking lot and traffic loop also at the MSHS.

Debt Administration. At the end of this year, the District had $6.4 million in bonds outstanding and other obligations versus $7.0 million in the previous year, a decrease of approximately $530,000 or 8%. The net decrease is due to scheduled annual principal payments made throughout the year.

	Long-Term Debt	
	2020	2019
Bonds	$ 5,810,000	$ 6,295,000
Bonds issuance premiums	109,932	129,390
Compensated absences	514,729	539,941
Total long-term debt	$ 6,434,661	$ 6,964,331

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

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many key factors when setting the District's fiscal 2021 budget. One of the most important factors affecting the budget is pupil enrollment count. Each December, the District obtains enrollment projections to build the following year's budget assumptions. This number becomes the base for the state revenue calculation. The state foundation revenue is determined by multiplying the blended student count by the state foundation allowance per pupil. This amount is then reduced by the local tax effort based upon 18.0000 operating mills levied on non-homestead properties. This local portion is approximately 26% of the revenue budget with the state foundation contributing 64%. As the District cannot assess additional tax revenue for general obligations per state law, the amount of state foundation allowance which provides over half of the District's revenue is significant to the budget. The enrollment projection data from December 2019 anticipates 3,226 students as the assumption for the fiscal 2020 budget. State aid foundation for fiscal 2021 has not yet been established although some funding splits for pupil counts and Pandemic Learning Plan requirements have been established through HB 5911 - 5913. State economic factors and legislation continue to be of concern for state funding to K-12 districts. Of the greatest concern for FY 21 is the blended learning platform due to COVID-19 precautions that will change how funding formulas work and how we count students.

Additional concerns which are unique to this coming fiscal year include many unknown factors related to COVID-19. The District is starting school in a Face to Face platform with online learning and hybrid options available. Enrollment counts are uncertain for those who may transfer to other online academies during this time of concern for pandemic learning. The District has several maternity leaves and Corona Virus related leaves that are being taken for at least the first semester. The District will continue to amend budgets as variables become known and to be conservative in spending where possible. Several new curriculum expenses to accommodate multiple platforms have been purchased with COVID related grant funds along with large quantities of personal protective equipment and cleaning/disinfecting equipment and supplies. The District's center of focus is our children and staff who we place at the highest level of safety and concern.

Several capital projects are planned for the 2021 fiscal year but on a smaller scale as the District intends to reserve funds for a larger project in 2020-2021 that will expand into FY 22. Sinking fund (SF) projects are expected to be approximately $850,000. The identified projects are the following:

- District security entrances and door systems
- MSHS parking lot and bus loops (planning)
- Pool wall repairs
- Sandy Knoll wall repairs
- Boiler Upgrades - Phase 2

Contract negotiations will continue for contracts beginning July 1, 2020.

Contacting the District's Management

This financial report is intended to provide our taxpayers, parents and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office, 1201 West Fair Avenue, Marquette, Michigan 49855.

BASIC FINANCIAL STATEMENTS

MARQUETTE AREA PUBLIC SCHOOLS

Statement of Net Position

June 30, 2020

Assets	
Cash and cash equivalents	$ 1,135,203
Investments	8,886,153
Restricted investments	1,687,827
Receivables	5,196,558
Other assets	109,078
Capital assets not being depreciated	1,076,547
Capital assets being depreciated, net	20,083,300
Total assets	38,174,666
Deferred outflows of resources	
Deferred pension amounts	18,437,542
Deferred other postemployment benefit amounts	4,653,161
Total deferred outflows of resources	23,090,703
Liabilities	
Accounts payable and accrued liabilities	5,031,278
Unearned revenue	91,799
Long-term debt:	
Due within one year	560,889
Due in more than one year	5,873,772
Net pension liability (due in more than one year)	63,614,028
Net other postemployment benefit liability (due in more than one year)	14,013,720
Total liabilities	89,185,486
Deferred inflows of resources	
Deferred pension amounts	2,990,363
Deferred other postemployment benefit amounts	5,827,030
Total deferred inflows of resources	8,817,393
Net position	
Net investment in capital assets	15,239,915
Restricted for:	
Food service	280,258
Debt service	88,722
Capital projects	1,659,525
Unrestricted (deficit)	(54,005,930)
Total net position	$ (36,737,510)

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

MARQUETTE AREA PUBLIC SCHOOLS

Statement of Activities
For the Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues
Governmental activities:				
Instruction	$ 24,034,620	$ 550	$ 8,380,240	$ (15,653,830)
Supporting services	13,309,162	156,551	1,129,428	(12,023,183)
Food services	1,042,129	305,249	637,941	(98,939)
Community services	156,074	-	106,460	(49,614)
Athletics	604,031	236,610	-	(367,421)
Payments to other public schools	59,174	-	-	(59,174)
Interest	121,232	-	-	(121,232)
Unallocated depreciation	1,215,298	-	-	(1,215,298)
Total governmental activities	$ 40,541,720	$ 698,960	$ 10,254,069	(29,588,691)
General revenues				
Property taxes levied for:				
Operations				8,711,943
Debt service				608,074
Capital projects				1,128,460
State aid not restricted to specific purposes				16,067,537
Interest and investment earnings				169,674
Other				444,493
Total general revenues				27,130,181
Change in net position				(2,458,510)
Net position, beginning of year, as restated				(34,279,000)
Net position, end of year				$ (36,737,510)

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

FUND FINANCIAL STATEMENTS

MARQUETTE AREA PUBLIC SCHOOLS

Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 937,087	$ 198,116	$ 1,135,203
Investments	7,961,708	846,010	8,807,718
Restricted investments	-	1,687,827	1,687,827
Receivables	110,854	5,359	116,213
Due from other funds	7,979	105,976	113,955
Due from other governments	5,035,175	45,170	5,080,345
Inventories	-	17,562	17,562
Prepaids	91,516	-	91,516
Total assets	$ 14,144,319	$ 2,906,020	$ 17,050,339
Liabilities			
Accounts payable	$ 658,275	$ 71,935	$ 730,210
Salaries payable and related accrued liabilities	4,194,354	8,229	4,202,583
Due to other funds	106,155	7,979	114,134
Due to other governments	53,808	23,933	77,741
Unearned revenue	91,799	-	91,799
Total liabilities	5,104,391	112,076	5,216,467
Deferred inflows of resources			
Unavailable revenue - planetarium project	66,315	-	66,315
Fund balances			
Nonspendable	91,516	17,562	109,078
Restricted	35,000	1,930,372	1,965,372
Committed	3,918,979	500,000	4,418,979
Assigned	1,566,802	346,010	1,912,812
Unassigned	3,361,316	-	3,361,316
Total fund balances	8,973,613	2,793,944	11,767,557
Total liabilities and fund balances	$ 14,144,319	$ 2,906,020	$ 17,050,339

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

Reconciliation

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

Fund balances - total governmental funds	$ 11,767,557
Amounts reported for *governmental activities* in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,076,547
Capital assets being depreciated, net	20,083,300
Certain liabilities, such as bonds payable and related deferred outflows, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(5,810,000)
Unamortized bond premiums	(109,932)
Employee compensated absences	(442,914)
Accrued interest on bonds payable	(20,744)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, are not included in fund balance.	
Deferred pledges receivable - planetarium project	66,315
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net OPEB 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	(63,614,028)
Deferred outflows of resources related to the net pension liability	18,437,542
Deferred inflows of resources related to the net pension liability	(2,990,363)
Net other postemployment benefits obligation	(14,013,720)
Deferred outflows related to the net other postemployment liability	4,653,161
Deferred inflows related to the net other postemployment liability	(5,827,030)
Internal service funds are used by management to account for current employees eligible for termination payments. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	6,799
Net position of governmental activities	$ (36,737,510)

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

MARQUETTE AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	$ 9,819,776	$ 2,070,424	$ 11,890,200
Interdistrict sources	2,519,281	-	2,519,281
State sources	22,184,263	92,800	22,277,063
Federal sources	832,845	551,346	1,384,191
Total revenues	35,356,165	2,714,570	38,070,735
Expenditures			
Current:			
Instruction	21,020,197	-	21,020,197
Supporting services	13,153,816	492	13,154,308
Food services	-	972,999	972,999
Community services	215,791	-	215,791
Debt service:			
Principal	-	485,000	485,000
Interest and fiscal charges	-	134,560	134,560
Capital outlay	67,123	358,460	425,583
Other financing transactions - tax abatements	59,174	465	59,639
Total expenditures	34,516,101	1,951,976	36,468,077
Revenues over expenditures	840,064	762,594	1,602,658
Other financing sources (uses)			
Transfers in	5,000	43,764	48,764
Transfers out	(4,650)	(44,114)	(48,764)
Total other financing sources (uses)	350	(350)	-
Net change in fund balances	840,414	762,244	1,602,658
Fund balances, beginning of year, as restated	8,133,199	2,031,700	10,164,899
Fund balances, end of year	$ 8,973,613	$ 2,793,944	$ 11,767,557

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

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 changes in fund balances - total governmental funds	$ 1,602,658
Amounts reported for *governmental activities* in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased/constructed	970,062
Depreciation expense	(1,215,298)
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 subsequent fiscal years.	
Change in deferred pledges receivable - planetarium project	(13,685)
Internal service funds are used by management to account for current employees eligible for termination payments. The change in the net position of the internal service funds is reported with governmental activities.	1,438
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on bonds	485,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in the net other postemployment benefit liability and related deferred amounts	1,008,745
Change in net pension liability and related deferred amounts	(5,298,322)
Change in the accrual for compensated absences	(11,739)
Amortization of bond premiums and deferred refunding losses	11,012
Change in accrued interest payable on bonds	1,619
Change in net position of governmental activities	$ (2,458,510)

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

MARQUETTE AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Change 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	$ 9,955,867	$ 9,843,257	$ 9,819,776	$ (23,481)
Interdistrict sources	2,252,800	2,499,473	2,519,281	19,808
State sources	21,925,486	21,587,837	22,184,263	596,426
Federal sources	612,215	835,649	832,845	(2,804)
Total revenues	34,746,368	34,766,216	35,356,165	589,949
Expenditures				
Current:				
Instruction:				
Basic programs	15,669,268	15,315,108	15,236,017	(79,091)
Added needs	6,046,989	5,816,912	5,784,180	(32,732)
Total instruction	21,716,257	21,132,020	21,020,197	(111,823)
Supporting services:				
Pupil services	3,044,452	3,112,422	3,058,073	(54,349)
Instructional staff services	835,921	632,137	624,608	(7,529)
General administration	482,002	439,418	424,724	(14,694)
School administration	2,056,842	1,942,960	1,938,067	(4,893)
Business services	499,373	444,847	440,407	(4,440)
Operations and maintenance	3,600,583	3,495,645	3,224,417	(271,228)
Pupil transportation services	1,492,808	1,289,566	1,280,452	(9,114)
Staff/personnel services	899,475	1,022,980	1,011,043	(11,937)
Support services - other	1,251,498	1,206,777	1,152,025	(54,752)
Total supporting services	14,162,954	13,586,752	13,153,816	(432,936)
Community services:				
Community activities	205,021	231,278	215,791	(15,487)
Capital outlay	-	67,167	67,123	(44)
Other financing transactions	7,500	60,847	59,174	(1,673)
Total expenditures	36,091,732	35,078,064	34,516,101	(561,963)
Revenues over (under) expenditures	(1,345,364)	(311,848)	840,064	1,151,912
Other financing sources (uses)				
Transfers in	10,000	5,000	5,000	-
Transfers out	(170,900)	(900)	(4,650)	3,750
Total other financing sources (uses)	(160,900)	4,100	350	3,750
Net change in fund balance	(1,506,264)	(307,748)	840,414	1,148,162
Fund balance, beginning of year, as restated	8,133,199	8,133,199	8,133,199	-
Fund balance, end of year	$ 6,626,935	$ 7,825,451	$ 8,973,613	$ 1,148,162

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

MARQUETTE AREA PUBLIC SCHOOLS

Statement of Net Position

Proprietary Fund
June 30, 2020

	Governmental Activities
	Internal Service Funds
Assets	
Current assets:	
Investments	$ 78,435
Due from other funds	179
Total assets	78,614
Liabilities	
Current liabilities:	
Compensated absences, current portion	40,495
Noncurrent liabilities:	
Compensated absences, noncurrent portion	31,320
Total liabilities	71,815
Total net position	$ 6,799

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

MARQUETTE AREA PUBLIC SCHOOLS

Statement of Revenues, Expenses and Change in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	Governmental Activities
	Internal Service Funds
Operating revenues	
Reimbursement for payments	$ 26,160
Operating expenses	
Compensated absences	22,970
Payroll taxes	1,752
Total operating expenses	24,722
Change in net position	1,438
Net position, beginning of year	5,361
Net position, end of year	$ 6,799

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

MARQUETTE AREA PUBLIC SCHOOLS

Statement of Cash Flows

Proprietary Fund
For the Year Ended June 30, 2020

	Governmental Activities
	Internal Service Funds
Cash flows provided by (used in) operating activities	
Cash received from interfund services and reimbursements	$ 25,981
Cash payments for employee benefits	(61,989)
Net cash used in operating activities	(36,008)
Cash flow provided by investing activities	
Proceeds from sale of investment securities	36,008
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	$ -
Reconciliation of operating income to net cash used in operating activities	
Operating income	$ 1,438
Change in operating assets and liabilities that provided used cash:	
Due to other funds	(495)
Compensated absences	(36,951)
Net cash used in operating activities	$ (36,008)

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

MARQUETTE AREA PUBLIC SCHOOLS

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust Fund Scholarship Fund	Custodial Fund
Assets		
Cash and cash equivalents	$ 330,242	$ 86,420
Accounts receivable	34,000	650
Total assets	364,242	87,070
Liabilities		
Accounts payable	41,527	26,814
Net position restricted for		
Scholarships	322,715	-
Other groups		60,256
	$ 322,715	$ 60,256

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

MARQUETTE AREA PUBLIC SCHOOLS

Statement of Change in Fiduciary Net Position

Fiduciary Funds
For the Year Ended June 30, 2020

	Private Purpose Trust Fund Scholarship Fund	Custodial Fund
Additions		
Private donations and contributions	$ 107,105	$ 65,581
Interest	1,470	-
Total additions	108,575	65,581
Deductions		
Scholarships awarded	109,802	-
Payments to other groups	-	53,345
Total deductions	109,802	53,345
Change in net position	(1,227)	12,236
Net position, beginning of year, as restated	323,942	48,020
Net position, end of year	$ 322,715	$ 60,256

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

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The District is governed by an elected seven-member Board of Education. The District has followed the guidelines of GASB and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

District-wide and Fund Financial Statements

The District-wide financial statements (i.e., the *statement of net position* and the *statement of activities*) report information on all of the non-fiduciary activities of the District. *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 and fiduciary funds, even though the latter are excluded from the District-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 District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund and fiduciary fund financial statements. 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.

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 government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, except taxes which must be collected within 60 days, and reimbursement type grants which must be collected within 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, state school aid, expenditure-driven grants, 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 fund:

The *general fund* is the District's only major fund and the primary operating fund. It accounts for all financial resources of the District, except those accounted for and reported in another fund.

Additionally, the District reports the following fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. Any operating deficit generated by these activities is the responsibility of the general fund.

The *capital projects funds* are used to account for and report financial resources that are restricted for capital outlays related to the District's construction or improvements of school buildings and facilities.

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

The *internal service fund* accounts for payment of early retirement incentive and unused sick leave reimbursement plan payments for retirees and is reimbursed by other funds for these payments.

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

The *private-purpose trust fund* is used to administer a scholarship program. The funds are segregated and held in trust for the future recipients of the scholarship.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The only proprietary fund maintained is an internal service fund that is used to pay early retirement incentives and unused sick leave reimbursement plan payments to retirees. The principal revenue of the proprietary funds relates to transfers from other funds to pay these expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

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

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

Deposits

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

Investments are reported at fair value, with the exception of the District's investments in the Michigan Liquid Assets Fund ("MILAF"), which are recorded at amortized cost.

Restricted Investments

The unspent bond proceeds and related interest of the capital projects funds require amounts to be set aside for construction. In addition, the unspent property taxes levied in the debt service funds and sinking fund are required to be set aside for future bond principal and interest and approved sinking fund projects, respectively.

Receivables and Payables

The District follows the practice of recording revenues that have been earned but not yet received as receivables at year end. Receivables consist primarily of state school 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 uncollectible accounts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). There were no interfund advance loans outstanding at June 30, 2020.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories consist primarily of food, cafeteria supplies and teaching supplies held for sale or consumption. USDA donated commodities in the food service fund are recorded at fair value. The amount is recorded as an expenditure when consumed or sold rather than when purchased. Reported inventories are equally offset by nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Prepaids

Payments made to vendors for services that will benefit future periods are reported as prepaid items. Prepaid items are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets

Capital assets, which include land, construction-in-progress, land improvements, buildings and improvements, furniture and equipment and vehicles and buses, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where actual cost information is not available. 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 assets lives are not capitalized.

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

Assets	Years
Land improvements	15 - 20
Buildings and improvements	5 - 50
Furniture and equipment	5 - 45
Vehicles and buses	5 - 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 represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District 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. A deferred refunding charge 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.

Salaries Payable and Related Accrued Liabilities

A liability is recorded at June 30, 2020 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

Compensated Absences (Vacation and Sick Leave) and Early Termination Benefits

The liability for compensated absences reported in the District-wide statements consists of earned by unused accumulated vacation and sick leave benefits. The amount due to active employees is reported only in the District-wide statements. The liability for unused accumulated vacation and sick leave benefits has been calculated using the vesting method, in which leave amounts for employees who are expected to become eligible in the future to receive such payments upon normal retirement are recorded based on the probability that the District will compensate the employees upon retirement. Amounts due to employees who are currently eligible to receive termination payments (retired employees) are reported as a liability in the Internal Service Fund. This liability includes the known liability for accumulated vacation and sick leave benefits.

Long-term Obligations

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts during the current period. The face amount of debt issued is reported as an other financing source. Discounts and premiums on debt issuances are reported as other financing uses and sources, respectively.

Bonded Construction Costs and Sinking Funds

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

The 2016 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. This includes the 2016 School Building and Site Bonds. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code. The District has reported the annual construction activity of the 2016 School Building and Site Bonds. Total construction expenditures related to this bond were approximately $16,000 in fiscal 2020. The project for which the 2016 School Building and Site Bonds were issued was considered complete on June 30, 2020 and the cumulative expenditures recognized for the construction period were $6,449,211.

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 District's deferred inflows of resources are related to pension and net other postemployment benefit costs.

Fund Balances

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 resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board. A formal resolution of the Board 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, pursuant to policy, has delegated the authority to assign fund balance to the Assistant Superintendent. Unassigned fund balance is the residual classification for the general fund.

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.

The Board of Education has adopted a fund balance policy. The fund balance policy prescribes the minimum fund balance of 10% of subsequent years budgeted expenditures as committed. The Board of Education is aware that significant funding challenges have been addressed in the past fiscal years and that more severe fiscal challenges are looming, and as a result, has determined that a minimum fund balance is prudent to meet cash flow needs and maintain the foundational support of the District through more difficult economic times, as anticipated.

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue fund. All annual appropriations lapse at fiscal year-end.

The general fund is under formal budgetary control. Budgets shown in the financial statements are adopted 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 budget for the general fund is adopted on a functional basis.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2020, the District incurred expenditures of $3,750 in excess of the amount appropriated for transfers out in the general fund.

3. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2020:

	Total
Statement of Net Position	
Cash and cash equivalents	$ 1,135,203
Investments	8,886,153
Restricted investments	1,687,827
Statement of Fiduciary Net Position	
Cash and cash equivalents	416,662
Total	$ 12,125,845
Deposits and investments	
Checking / savings accounts	$ 1,551,465
Investments	10,573,980
Cash on hand	400
Total	$ 12,125,845

Michigan law authorizes the District to deposit and invest in:

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 five years after the purchase dates.

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.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

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.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

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.

Deposit and Investment Risk

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a ruse in interest rates. The District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

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 a policy for deposit custodial credit risk. The District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the District's deposits for custodial credit risk. As of year end, $1,346,427 of the District's bank balance of $1,596,427 was exposed to custodial credit risk because it was uninsured and uncollateralized. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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. State law does not require a policy for investment custodial credit risk. The District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criterial established in the investment policy. The District did not have investments with custodial credit risk.

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 each investment are identified below for investments held at year end.

As of June 30, 2020, the District's investments were rated by Standard and Poor's as follows:

Investment	Amortized Cost	Rating
Michigan Liquid Asset Fund		
MILAF + MAX Class	$ 10,540,188	AAAm
MILAF + Cash Management Class	33,792	AAAm
	$ 10,573,980	

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer. The District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

4. RESTRICTED INVESTMENTS

Restricted investments as of June 30, 2020, are comprised of MILAF + MAX Class holdings, and are reported in the following funds:

2016 school bond debt retirement fund	$ 130,630
Sinking fund	1,557,197
Total restricted investments	$ 1,687,827

5. RECEIVABLES AND UNEARNED REVENUE

Accounts receivable as of June 30, 2020, are comprised of the following:

	General Fund	Nonmajor Funds	Total
Fund / district-wide financial statements:			
Taxes receivable	$ 22,499	$ 3,782	$ 26,281
Accounts receivable	23,083	1,577	24,660
Pledges receivable	65,272	-	65,272
Due from other governments	5,035,175	45,170	5,080,345
Total	$ 5,146,029	$ 50,529	$ 5,196,558

Pledges receivable consists of a multi-year donation with payments of approximately $20,000 annually for five years. The second payment was received during the current year and the remainder will be paid annually over the next three years.

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At year end, unavailable revenue was reported for pledges receivable that were not considered to be available. Governmental funds also report unearned revenue recognized in connection with resources that have been received but not yet earned. At June 30, 2020, grant and categorical aid payment received prior to meeting all eligibility requirements was $91,799.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2020, are comprised of the following:

	General Fund	Nonmajor Governmental Funds	Total
Fund financial statements:			
Accounts payable	$ 658,275	$ 71,935	$ 730,210
Salaries payable and related accrued liabilities	4,194,354	8,229	4,202,583
Due to other governments	53,808	23,933	77,741
	$ 4,906,437	$ 104,097	5,010,534
District-wide financial statements:			
Accrued interest payable			20,744
Total			$ 5,031,278

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

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

	Due from Other Funds	Due to Other Funds
General fund	$ 7,979	$ 106,155
Nonmajor governmental funds	105,976	7,979
Internal service funds	179	-
	$ 114,134	$ 114,134

The District reports interfund balances between certain 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.

For the year ended June 30, 2020, interfund transfers consisted of the following:

	Transfers in	Transfers out
General fund	$ 5,000	$ 4,650
Nonmajor governmental funds	43,764	44,114
	$ 48,764	$ 48,764

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.

8. CAPITAL ASSETS AND COMMITMENTS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	$ 822,392	$ -	$ -	$ -	$ 822,392
Construction in progress	892,834	190,939	-	(829,618)	254,155
	1,715,226	190,939	-	(829,618)	1,076,547
Capital assets, being depreciated:					
Land improvements	3,758,350	9,690	-	802,607	4,570,647
Buildings and improvements	32,823,395	316,534	-	27,011	33,166,940
Furniture and equipment	4,295,831	351,173	-	-	4,647,004
Vehicles and buses	2,190,921	101,726	-	-	2,292,647
	43,068,497	779,123	-	829,618	44,677,238
Less accumulated depreciation for:					
Land improvements	(2,095,820)	(127,110)	-	-	(2,222,930)
Buildings and improvements	(16,176,880)	(705,783)	-	-	(16,882,663)
Furniture and equipment	(3,232,135)	(307,912)	-	-	(3,540,047)
Vehicles and buses	(1,873,805)	(74,493)	-	-	(1,948,298)
	(23,378,640)	(1,215,298)	-	-	(24,593,938)
Total capital assets being depreciated, net	19,689,857	(436,175)	-	829,618	20,083,300
Governmental activities capital assets, net	$ 21,405,083	$ (245,236)	$ -	$ -	$ 21,159,847

Depreciation expense of $1,215,298 was reported as "unallocated depreciation" as it was determined that it was impractical to allocate depreciate to the various governmental activities as the assets serve multiple functions.

Construction Commitments

At year end, the District has commitments relative to the completion of certain construction projects of approximately $813,000 is outstanding.

9. LONG-TERM DEBT

The District issues bonds and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include compensated absences which are paid out over time based on the employee bargaining unit.

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Installment debt					
General obligation bonds	$ 6,295,000	$ -	$ (485,000)	$ 5,810,000	$ 500,000
Bond issuance premiums	129,390	-	(19,458)	109,932	10,147
Total installment debt	6,424,390	-	(504,458)	5,919,932	510,147
Compensated absences	539,941	61,183	(86,395)	514,729	50,742
Total long-term debt	$ 6,964,331	$ 61,183	$ (590,853)	$ 6,434,661	$ 560,889

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

General obligation bonds

2016 capital projects bonds due in annual installments of $155,000 to $575,000; plus interest ranging from 2.00% to 2.75%; final payment due May 1, 2031.	$ 5,810,000

The annual requirements to service the bonds outstanding to maturity, including principal and interest, are as follows:

Year Ended June 30,	Principal	Interest	Totals
2021	$ 500,000	$ 124,476	$ 624,476
2022	515,000	114,476	629,476
2023	535,000	104,176	639,176
2024	555,000	93,475	648,475
2025	575,000	82,376	657,376
2026-2030	2,565,000	253,366	2,818,366
2031	565,000	15,538	580,538
	$ 5,810,000	$ 787,883	$ 6,597,883

Notes to Financial Statements

10. PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. School related property taxes are levied on December 1 each year, based on the previous year's assessment, by township governments whose boundaries include property within the District, and are due on February 28. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of the applicable County. Taxes are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year end.

11. PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) 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.

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 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.

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 $5,427,812, which included $2,157,356, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

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 $1,355,337.

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 $246,145.

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

At June 30, 2020, the District reported a liability of $63,614,028 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 0.19209%, which was a decrease of 0.00010% from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of $10,546,177. 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	$ 285,138	$ 265,264	$ 19,874
Changes in assumptions	12,455,671	-	12,455,671
Net difference between projected and actual earnings on pension plan investments	-	2,038,721	(2,038,721)
Changes in proportion and differences between employer contributions and proportionate share of contributions	593,801	686,378	(92,577)
	13,334,610	2,990,363	10,344,247
District contributions subsequent to the measurement date	5,102,932	-	5,102,932
Total	$ 18,437,542	$ 2,990,363	$ 15,447,179

The $5,102,932 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	$ 4,359,899
2022	3,155,279
2023	1,989,428
2024	839,641
Total	$ 10,344,247

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

At June 30, 2020, the District reported a liability of $14,013,720 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 0.19524% which was a increase of 0.00526% from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of $323,144. 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	$ -	$ 5,142,030	$ (5,142,030)
Changes in assumptions	3,036,490	-	3,036,490
Net difference between projected and actual earnings on OPEB plan investments	-	243,705	(243,705)
Changes in proportion and differences between employer contributions and proportionate share of contributions	388,968	441,295	(52,327)
	3,425,458	5,827,030	(2,401,572)
District contributions subsequent to the measurement date	1,227,703	-	1,227,703
Total	$ 4,653,161	$ 5,827,030	$ (1,173,869)

The $1,227,703 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 pension expense as follows:

Year Ended June 30,	Amount
2021	$ (687,700)
2022	(687,700)
2023	(566,733)
2024	(336,397)
2025	(123,042)
Total	$ (2,401,572)

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 Healthy 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
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 valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study. 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 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 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%
Alternative investment pools	18.00%	8.60%	1.55%
International equity	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%
	100.00%		5.65%
Inflation			2.30%
Risk adjustment			-1.15%
Investment rate of return			6.80%

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	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%
	100.00%		5.65%
Inflation			2.30%
Risk adjustment			-1.00%
Investment rate of return			6.95%

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.

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 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	$ 82,702,306	$ 63,614,028	$ 47,789,188

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 higher:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	$ 17,189,934	$ 14,013,720	$ 11,346,583

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to the 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 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	$ 11,233,508	$ 14,013,720	$ 17,189,557

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 $870,361 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 $199,202 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2020.

12. 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 63% of the District's general fund revenue during the 2020 fiscal year.

13. FUND BALANCES - GOVERNMENTAL FUNDS

Detailed information on fund balances of governmental funds is as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable for:			
Inventories	$ -	$ 17,562	$ 17,562
Prepaids	91,516	-	91,516
Total nonspendable	91,516	17,562	109,078
Restricted for:			
Food service	-	262,696	262,696
Debt service	-	109,466	109,466
Shiras planetarium	35,000	1,558,210	1,593,210
Total restricted	35,000	1,930,372	1,965,372
Committed for:			
Contingency	3,507,896	-	3,507,896
Student groups	411,083	-	411,083
Capital projects	-	500,000	500,000
Total committed	3,918,979	500,000	4,418,979
Assigned for:			
Capital projects	-	346,010	346,010
Working capital	1,566,641	-	1,566,641
Shiras planetarium	161	-	161
Total assigned	1,566,802	346,010	1,912,812
Total unassigned	3,361,316	-	3,361,316
Total fund balances, governmental funds	$ 8,973,613	$ 2,793,944	$ 11,767,557

14. NET INVESTMENT IN CAPITAL ASSETS AND RESTRICTED NET POSITION

The composition of net investment in capital assets as of June 30, 2020, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	$ 1,076,547
Capital assets being depreciated, net	20,083,300
	21,159,847
Less related debt:	
Bonds	5,810,000
Unamortized bond premiums	109,932
	5,919,932
Net investment in capital assets	$ 15,239,915

Notes to Financial Statements

15. CONTINGENT LIABILITIES

Federal Grant Programs. The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

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 for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program, in which the District participates, operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2020.

16. RESTATEMENT

The District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities,* in the current year. As a result of this change, beginning net position of governmental activities and the general fund was increased by $483,422. Additionally, the aggregate remaining funds increased $48,020.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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,					
	2015	2016	2017	2018	2019	2020
District's proportionate share of the net pension liability	$ 37,994,108	$ 44,746,947	$ 47,743,907	$ 50,657,663	$ 57,774,948	$ 63,614,028
District's proportion of the net pension lability	0.17249%	0.18320%	0.19136%	0.19548%	0.19219%	0.19209%
District's covered-employee payroll	$ 14,064,634	$ 15,343,152	$ 16,011,467	$ 16,437,561	$ 16,215,019	$ 17,123,977
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	270.14%	291.64%	298.19%	308.18%	356.31%	371.49%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	62.92%	63.01%	64.21%	62.36%	60.31%

See notes to required supplementary information.

Required Supplementary Information

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

	Year Ended June 30,					
	2015	2016	2017	2018	2019	2020
Statutorily required contribution	$ 3,325,282	$ 4,372,055	$ 4,586,852	$ 5,320,448	$ 5,119,719	$ 5,427,812
Contributions in relation to the statutorily required contribution	(3,325,282)	(4,372,055)	(4,586,852)	(5,320,448)	(5,119,719)	(5,427,812)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 14,624,457	$ 15,852,960	$ 16,477,929	$ 16,551,440	$ 16,997,058	$ 17,664,528
Contributions as a percentage of covered payroll	22.74%	27.58%	27.84%	32.14%	30.12%	30.73%

See notes to required supplementary information.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,		
	2018	2019	2020
District's proportion of the net OPEB liability	$ 17,342,990	$ 15,101,765	$ 14,013,720
District's proportionate share of the net OPEB liability	0.19584%	0.18998%	0.19524%
District's covered payroll	16,437,561	16,215,019	17,123,977
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	105.51%	93.13%	81.84%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%	42.95%	48.46%

See notes to required supplementary information.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,		
	2018	2019	2020
Statutorily required contribution	$ 1,205,578	$ 1,308,541	$ 1,355,337
Contributions in relation to the statutorily required contribution	(1,205,578)	(1,308,541)	(1,355,337)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 16,551,440	$ 16,997,058	$ 17,664,528
Contributions as a percentage of covered payroll	7.28%	7.70%	7.67%

See notes to required supplementary information.

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 date 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 date 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

MARQUETTE AREA PUBLIC SCHOOLS

Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue Fund	Debt Service Funds	
	School Lunch Fund	Debt Service Fund	2016 School Bond Debt Retirement Fund
Assets			
Cash and cash equivalents	$ 198,116	$ -	$ -
Investments	-	-	-
Restricted investments	-	-	130,630
Receivables	1,577	-	1,296
Due from other funds	42,089	-	-
Due from other governments	45,170	-	-
Inventories	17,562	-	-
Total assets	$ 304,514	$ -	$ 131,926
Liabilities			
Accounts payable and accrued liabilities	$ 8,048	$ -	$ -
Accrued payroll-related liabilities	8,229	-	-
Due to other funds	7,979	-	-
Due to other governments	-	-	22,460
Total liabilities	24,256	-	22,460
Fund balances			
Nonspendable	17,562	-	-
Restricted	262,696	-	109,466
Committed	-	-	-
Assigned	-	-	-
Total fund balances	280,258	-	109,466
Total liabilities and fund balances	$ 304,514	$ -	$ 131,926

Capital Projects Funds			
Capital Projects Fund	Sinking Fund	2016 Capital Projects Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ 198,116
846,010	-	-	846,010
-	1,557,197	-	1,687,827
-	2,486	-	5,359
-	63,887	-	105,976
-	-	-	45,170
-	-	-	17,562
$ 846,010	$ 1,623,570	$ -	$ 2,906,020
$ -	$ 63,887	$ -	$ 71,935
-	-	-	8,229
-	-	-	7,979
-	1,473	-	23,933
-	65,360	-	112,076
-	-	-	17,562
-	1,558,210	-	1,930,372
500,000	-	-	500,000
346,010	-	-	346,010
846,010	1,558,210	-	2,793,944
$ 846,010	$ 1,623,570	$ -	$ 2,906,020

MARQUETTE AREA PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Special Revenue Fund	Debt Service Funds	
	School Lunch Fund	Debt Service Fund	2016 School Bond Debt Retirement Fund
Revenues			
Local sources	$ 309,509	$ 223,537	$ 378,218
State sources	85,948	2,517	4,335
Federal sources	551,346	-	-
Total revenues	946,803	226,054	382,553
Expenditures			
Current:			
Support services	-	1	491
Food services	972,999	-	-
Principal	-	250,000	235,000
Interest and fiscal charges	-	5,277	129,283
Capital outlay	-	-	-
Other financing transactions - tax abatements	-	163	302
Total expenditures	972,999	255,441	365,076
Revenues over (under) expenditures	(26,196)	(29,387)	17,477
Other financing sources (uses)			
Transfers in	4,650	-	39,114
Transfers out	(5,000)	(39,114)	-
Total other financing sources (uses)	(350)	(39,114)	39,114
Net changes in fund balances	(26,546)	(68,501)	56,591
Fund balances, beginning of year	306,804	68,501	52,875
Fund balances, end of year	$ 280,258	$ -	$ 109,466

Capital Projects Funds			
Capital Projects Fund	Sinking Fund	2016 Capital Projects Fund	Total Nonmajor Governmental Funds
$ 13,268	$ 1,145,677	$ 215	$ 2,070,424
-	-	-	92,800
-	-	-	551,346
13,268	1,145,677	215	2,714,570
-	-	-	492
-	-	-	972,999
-	-	-	485,000
-	-	-	134,560
-	342,110	16,350	358,460
-	-	-	465
-	342,110	16,350	1,951,976
13,268	803,567	(16,135)	762,594
-	-	-	43,764
-	-	-	(44,114)
-	-	-	(350)
13,268	803,567	(16,135)	762,244
832,742	754,643	16,135	2,031,700
$ 846,010	$ 1,558,210	$ -	$ 2,793,944

Schedule of Bond Indebtedness
Year Ended June 30, 2020

Year Ended June 30,	2016 Capital Projects Bond	
	Principal	Interest
2021	$ 500,000	$ 124,476
2022	515,000	114,476
2023	535,000	104,176
2024	555,000	93,476
2025	575,000	82,376
2026	485,000	70,876
2027	500,000	61,176
2028	510,000	51,176
2029	525,000	40,976
2030	545,000	29,162
2031	565,000	15,538
Total	$ 5,810,000	$ 787,884

Principal payments due	May 1
Interest payments due	November 1 and May 1
Interest rate	2.0% - 2.75%
Original issue	$ 6,285,000

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 26, 2020

The Board of Education
Marquette Area Public Schools
Marquette, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the *Marquette Area Public Schools* (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 26, 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 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 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 schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Robson LLC

MARQUETTE AREA PUBLIC SCHOOLS

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	Approved Grant Award Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
National School Lunch - Breakfast	10.553	MDE	191970	$ 73,168
National School Lunch - Breakfast	10.553	MDE	201970	47,363
				120,531
National School Lunch - Free and Reduced	10.555	MDE	191960	352,042
National School Lunch - Free and Reduced	10.555	MDE	201960	222,298
COVID-19 SFSP Unanticipated School Closure Program	10.555	MDE	200902	150,907
Entitlement Commodities (non-cash)	10.555	MDE	N/A	143,965
				869,212
National School Lunch - Summer Program - Admin	10.559	MDE	191900	1,183
National School Lunch - Summer Program - Operating	10.559	MDE	190900	11,436
				12,619
Total U.S. Department of Agriculture				1,002,362
U.S. Department of Education				
Title I, Part A - Improving Basic Programs	84.010	MDE	191530-1819	341,907
Title I, Part A - Improving Basic Programs	84.010	MDE	201530-1920	302,030
				643,937
Handicapped Persons Title IV - B: Flowthrough	84.027	MARESA	190450-1819	11,649
Handicapped Persons Title IV - B: Flowthrough	84.027	MARESA	200450-1920	80,886
				92,535
Carl Perkins VEA	84.048	MARESA	203520-1920	13,094
Indian education	84.060A	Direct	S060A180067	52,450
Indian education	84.060A	Direct	S060A200067	51,556
				104,006
Title II, Part A - Improving Teacher Quality	84.367	MDE	180520-1718	70,730
Title II, Part A - Improving Teacher Quality	84.367	MDE	190520-1819	196,762
Title II, Part A - Improving Teacher Quality	84.367	MDE	200520-1920	170,131
				437,623
Title IV, Part A:				
Student Support and Academic Enrichment Program	84.424	MDE	190750-1819	25,954
Student Support and Academic Enrichment Program	84.424	MDE	200750-1920	22,953
				48,907
COVID19 Elementary and Secondary School Relief Funds - Formula D	84.425	MDE	203710-1920	236,870
Total U.S. Department of Education				1,576,972

Accrued (Unearned) Revenue June 30, 2019	Adjustments and Transfers	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2020	Accrued (Unearned) Revenue June 30, 2020
$ -	$ -	$ 8,162	$ 65,006	$ 8,162	$ -
-	-	47,363	-	47,363	-
-	-	55,525	65,006	55,525	-
-	-	49,762	302,280	49,762	-
-	-	222,298	-	222,298	-
-	-	112,749	-	150,907	38,158
-	-	64,706	79,259	64,706	-
-	-	449,515	381,539	487,673	38,158
418	-	1,183	418	765	-
4,052	-	11,436	4,052	7,384	-
4,470	-	12,619	4,470	8,149	-
4,470	-	517,659	451,015	551,347	38,158
155,089	-	166,219	330,777	11,130	-
-	-	165,688	-	278,913	113,225
155,089	-	331,907	330,777	290,043	113,225
3,750	-	3,750	11,649	-	-
-	-	45,791	-	80,886	35,095
3,750	-	49,541	11,649	80,886	35,095
-	-	13,094	-	13,094	-
3,690	-	3,690	52,450	-	-
-	-	38,710	-	51,556	12,846
3,690	-	42,400	52,450	51,556	12,846
-	(1,544)	(1,544)	38,295	-	-
19,378	-	26,098	118,982	6,720	-
-	-	64,155	-	111,420	47,265
19,378	(1,544)	88,709	157,277	118,140	47,265
8,043	-	8,043	24,572	-	-
-	-	13,448	-	22,680	9,232
8,043	-	21,491	24,572	22,680	9,232
-	-	-	-	236,870	236,870
189,950	(1,544)	547,142	576,725	813,269	454,533

continued…

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	Approved Grant Award Amount
U.S. Department of Health and Human Services				
Medicaid Cluster:				
Medicaid Outreach	93.778	MARESA	N/A	$ 7,112
Medicaid Outreach	93.778	MARESA	N/A	19,575
				26,687
Total Federal Financial Assistance				$ 2,606,021

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2019	Adjustments and Transfers	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2020	Accrued (Unearned) Revenue June 30, 2020
$ 7,112	$ -	$ 7,112	$ 7,112	$ -	$ -
-	-	-	-	19,575	19,575
7,112	-	7,112	7,112	19,575	19,575
$ 201,532	$ (1,544)	$ 1,071,913	$ 1,034,852	$ 1,384,191	$ 512,266

concluded

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 Marquette Area Public Schools (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
MARESA	Marquette - Alger Regional Educational Service Agency
MDE	Michigan Department of Education

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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 26, 2020

The Board of Education
Marquette Area Public Schools
Marquette, 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, the major fund, and the aggregate remaining fund information of the *Marquette Area Public Schools* (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 26, 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.

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Independent Auditors' Report on Compliance for the Major Federal Program and Internal Control over Compliance Required by the Uniform Guidance

October 26, 2020

The Board of Education
Marquette Area Public Schools
Marquette, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of the *Marquette Area Public Schools* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are 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 the 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.

Rehmann Robson LLC

MARQUETTE AREA PUBLIC SCHOOLS

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ 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
Type of auditors' report issued on compliance for major programs:	Unmodified	
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:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555 and 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	X yes	____ no

MARQUETTE AREA PUBLIC SCHOOLS

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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MARQUETTE AREA PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2020

No findings in the prior year.

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Rehmann

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Independent Auditors' Communication with Those Charged with Governance

October 26, 2020

Board of Education
Marquette Area Public Schools
Marquette, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the *Marquette Area Public Schools* (the "District") as of and for the year ended June 30, 2020, and have issued our report thereon dated October 26, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 19, 2020, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated October 26, 2020.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on August 10, 2020.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements.

As described in Note 16 to the financial statements, the District changed accounting policies related to fiduciary activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities.* The cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

In addition, the financial statements include net pension and other postemployment benefit liabilities and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards but are not within the control of management.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment B to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the Marquette Area Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Robson LLC

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2020 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the District. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 87 ■ Leases

Effective 06/15/2022 (your FY 2022)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period

Effective 12/15/2021 (your FY 2022)

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the District.

GASB 91 ■ Conduit Debt Obligations

Effective 12/15/2022 (your FY 2023)

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is *more likely than not* that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the District.

GASB 92 ■ Omnibus 2020

Effective 06/15/2022 (your FY 2022)

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the District.

GASB 93 ■ Replacement of Interbank Offered Rates

Effective 06/15/2022 (your FY 2022)

This standard provides guidance to governments with agreements with variable payments tied to LIBOR, and how to transition them to a new reference rate. We do not expect this standard to have any significant effect on the District.

Attachment A – Upcoming Changes in Accounting Standards / Regulations
For the June 30, 2020 Audit

GASB 94 ■ Public-Private and Public-Public Partnerships and Availability Payment Arrangements
Effective 06/15/2023 (your FY 2023)

This standard addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. We do not expect this standard to have any significant effect on the District.

GASB 96 ■ Subscription-Based Information Technology Arrangements
Effective 06/15/2023 (your FY 2023)

This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments.

GASB 97 ■ Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans
Effective 06/15/2022 (your FY 2022)

This standard amends the requirements for when to report defined contribution pension plans (such as 401k and 403b plans) as fiduciary component units, and how to account for Section 457 deferred compensation plans.

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Attachment B – Management Representations

For the June 30, 2020 Audit

The following pages contain the written representations that we requested from management.

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William Saunders, Superintendent

Debra Barry, Assistant Superintendent

October 26, 2020

Rehmann Robson
PO Box 250
Cheboygan, MI 49721

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Marquette Area Public Schools* (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the budgetary comparison for the General Fund of the District in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 26, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 19, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:
   a. Made all management decisions and performed all management functions;
   b. Assigned a competent individual to oversee the services;
   c. Evaluated the adequacy of the services performed;
   d. Evaluated and accepted responsibility for the result of the service performed; and
   e. Established and maintained internal controls, including monitoring ongoing activities.
4. We acknowledge our responsibility for 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.

5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
    a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
    b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
    c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
    d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All funds and activities are properly classified.
12. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
13. All components of net position and fund balance classifications have been properly reported.
14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
15. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Deposit and investment risks have been properly and fully disclosed.
18. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
19. All required supplementary information is measured and presented within the prescribed guidelines.
20. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
21. We are responsible for the fair presentation of the District's proportionate share of the net pension and other postemployment liabilities of the Michigan Public School Employees Retirement System (MPSERS) and related amounts. We provided MPSERS with complete and accurate information regarding the District's participation in the plan, and have reviewed the information provided by MPSERS for inclusion in the District's financial statements.
22. In response to the novel coronavirus outbreak (COVID-19), the Governor issued various temporary Executive Orders that, among other stipulations, effectively prohibited in-person work activities for most businesses and industries including non-essential government services, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the District's normal activities. The extent of the ultimate impact of the pandemic on the District's operational and financial performance will depend on certain 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 may 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.

Information Provided

23. We have provided you with:
    a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
    b. Additional information that you have requested from us for the purpose of the audit; and
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
26. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
    a. Management;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the financial statements.
27. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
28. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
29. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
31. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
32. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
33. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
34. The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
35. We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
36. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
37. There are no:
    a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
    b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.

38. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
39. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
40. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

41. With respect to the supplementary information accompanying the financial statements:
    a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
    b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
    c. The methods of measurement or presentation have not changed from those used in the prior period.
    d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

42. With respect to the required supplementary information accompanying the financial statements:
    a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
    b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
    c. The methods of measurement or presentation have not changed from those used in the prior period.
    d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Uniform Guidance (2 CFR 200)

43. With respect to federal awards, we represent the following to you:
    a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
    b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
    c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
    d. The methods of measurement or presentation have not changed from those used in the prior period.
    e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
    f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.

g. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
h. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
i. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
j. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
k. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
l. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
m. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
n. We have received no requests from a federal agency to audit one or more specific programs as a major program.
o. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
p. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
q. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
u. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
v. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a correction action plan for each audit finding.
w. The reporting package does not contain personally identifiable information.
x. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
y. We have reviewed, approved, and taken responsibility for the financial statements and related notes.

z. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

William B. Saunders

William Saunders, Superintendent

Debra Barry

Debra Barry, Assistant Superintendent